ACA Health Insurance Exchange Gap Analysis | Arizona

Prepared for the Governor's Office
of the State of Arizona

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FORWARD

Social Interest Solutions would like to thank the Arizona State staff who so enthusiastically participated in and significantly contributed to this Gap Analysis. We also want to thank Arizona Leadership who has been willing to listen, ask questions and provide guidance throughout this project.

GLOSSARY

ACRONYM	DEFINITION
ACA	Affordable Care Act
ACE	AHCCCS Customer Eligibility System
ACTS	Automated Change Tracking System
AHCCCS	Arizona Health Care Cost Containment System
ALTCS	Arizona Long Term Care System
AZTECS	Arizona Technical Eligibility Computer System
CHIP	Children's Health Insurance Program
DES	Department of Economic Security
ESB	Enterprise Service Bus
EVVE	Electronic Verification of Vital Events Record System
FIPS	Federal Information Processing Standards
FIPs	Fair Information Process Standards
HIPAA	Health Insurance Portability and Accountability Act
HITECH	Health Information Technology for Economic and Clinical Health
IEVS	State Income and Eligibility Verification System
IVR	Interactive Voice Response
MITA	Medicaid Information Technology Architecture
NIEM	National Information Exchange Model
NIST	National Institute of Standards and Technology
PARIS	Public Assistance Reporting Information System
PMMIS	Prepaid Medicaid Management Information System
SAVE	Systematic Alien Verification of Entitlement
SDLC	Standard Industry Lifecycle Framework
SHOP	Small Business Health Options Program
SME	Subject Matter Expert
SNAP	Supplemental Nutrition Assistance Program
SOA	Systems Oriented Architecture
TANF	Temporary Assistance to Need Families
TIPS	Technology Interface Project Solution

EXECUTIVE SUMMARY

OVERVIEW

The Patient Protection and Affordable Care Act of 2010 (ACA) is a game changer both in terms of the culture of enrollment in public and subsidized health insurance and in terms of the infrastructure needed to support the enrollment process. Information Technology (IT) readiness will play a critical role in establishing a streamlined and integrated "no wrong door" process for accessing both public and private benefits under ACA.

The State of Arizona initiated this IT Gap Analysis project to help Arizona hone its vision for implementing health care reform in the most prudent and efficient way. A national non-profit organization, Social Interest Solutions (SIS) was selected to do the following:

- Provide a detailed assessment of federal reform requirements and incorporate updated federal guidance
- Inventory and assess relevant Arizona systems' readiness and gaps for meeting ACA requirements and complying with federal guidance to determine functionality and potential for use in the Exchange (mapping systems against current federal IT systems guidance)
- Create a technology Gap Analysis to inform consideration of alternative options
- Evaluate the potential for the Arizona Technical Eligibility System (AZTECS) database to meet ACA requirements and assess the feasibility of using Health-e-Arizona as a front-end to AZTECS for users
- Provide options for consideration to implement an Exchange, with cost projections and associated benefits and risks for each option

A variety of activities took place to accomplish these tasks and to assess that the State's readiness kept pace with new federal guidance and other environment developments.

APPROACH

Our overall approach to this analysis was based on the fundamental principle that ACA and the subsequent Federal guidance related to Exchanges, eligibility and enrollment systems and program integration offer an amazing opportunity to modernize systems to support efficient processing and management of public benefit and private insurance applications.

In addition to analysis of federal guidance, the Project Team interviewed key stakeholders at the Arizona Health Care Cost Containment System (AHCCCS) Administration and the Department of Economic Security (DES) and conducted system reviews, on-site walk-throughs, and detailed standard, functional and security evaluations. The Project Team also interviewed key stakeholders at the Arizona Governor's Office, Department of Insurance, Government Information Technology Agency (GITA), representative

advocates, brokers, and health plans. The information and insights gathered from these interviews were used throughout this analysis.

In addition to these steps, the project team:

1. Reviewed ACA and over 14 documents produced by the federal government to establish standards and provide other guidance. This resulted in a detailed assessment of federal reform requirements. It should be noted that this analysis addressed all guidance provided through May 3, 2011. More guidance is expected and the State should continuously update its ACA Exchange approach to stay in synch with the federal government's communication and expectations.

2. Conducted an eligibility and enrollment system inventory through meetings and interviews with leadership and key staff from DES and AHCCCS. Informants helped to identify and describe the complex key subsystems that could potentially be leveraged for meeting federal requirements. Potential re-use of technology assets is possible because of the architecture requirements included in ACA guidance.

   The purpose of the system reviews was to determine the current functionality and to identify assets that may be leveraged for accomplishing Arizona's ACA Exchange vision. Systems were assessed for both functional attributes (what the user needs to do via the IT system) and technical attributes (system architecture and integration capabilities) to support all or part of Arizona's Health Insurance Exchange systems requirements. Each system reviewed was assessed against current Federal requirements for ACA Exchanges.

3. Assessed both functional and technical attributes of Arizona existing, or legacy, systems to determine potential use or modification to meet Section 1561 of ACA requirements and inform the State's options. The functional assessment looked at what the user needs to do via the system and described this process in non-technical language (e.g. the application needs to support address verification once an address is entered).
4. Reviewed the technical platform of the AZTECS database and assessed it at a high-level with regard to its ability to support ACA requirements. In addition to on-site reviews and technical analysis, the team met with DES IT leadership to understand plans contemplated for upgrade.
5. Analyzed the impact of adopting Health-e-Arizona as the front end of AZTECS. This upgrade would provide Eligibility Workers at DES a more user-friendly interface, more consistent with what consumers also use.
6. Results from the technology Gap Analysis were used to develop five options and analysis of associated resources, estimated costs and risks. The options included:

   Option 1 – Adopt or Default to the Federal Exchange

   Option 2 – Join a Multi-State Solution

   Option 3 – Leverage Existing State Systems and Fill Gaps with New Development

   Option 4 – Leverage Existing State Systems and Fill Gaps by Borrowing

   Option 5 – Build a Solution from Scratch

   Each option was analyzed in context of the Arizona system ecosystem.

WHAT IS A HEALTH INSURANCE EXCHANGE?

The ACA thrust the term Health Insurance Exchange on the world. The words "Health Insurance Exchange" mean different things to different people. The ACA-enabled definition of a Health Insurance Exchange includes significantly more functions and features than are included or addressed in a traditionally defined Health Insurance Exchange, including:

- Certification of qualified health plans
- A call center
- Exchange website
- Quality rating system
- Navigator program
- Premium calculator
- Eligibility determinations for Exchange participation, premium tax credits, and cost-sharing reductions
- Seamless eligibility and enrollment process with Medicaid and other State health subsidy programs
- Enrollment process
- Applications and notices
- Individual responsibility determinations
- Premium tax credit and cost-sharing reduction administration
- Appeals of eligibility determinations
- Outreach and education
- Risk adjustment and transitional reinsurance
- SHOP Exchange-specific functions

Accordingly, it is appropriate to clarify how the term Health Insurance Exchange (Exchange) is used in the context of this report and for purposes of identifying gaps that may exist for Arizona to meet the ever-looming responsibilities for providing an Exchange in 2014, whether that is done through a Federal-Operated Exchange or a State-Operated Exchange. The definition of an Exchange under ACA does not fit nicely into the traditional definition of a Health Insurance Exchange. Thus, we also describe "what" the ACA Exchange must do in an effort to provide more clarity around how the word "Exchange" has been used for conducting the Arizona Gap Analysis.

In short, the "by the book" definition of Health Insurance Exchange is significantly expanded by ACA. The expanded ACA Exchange must provide for a range of options from self-paid commercial health insurance to no-cost health coverage with new eligibility rules. There are many traditional Medicaid rules that will *not* change and must remain in place and be handled by the Exchange. In addition, ACA Exchanges must have the ability to use data gathered for the purpose of obtaining health coverage to also support determining eligibility for other human service (non-health) programs. Supporting small business health insurance access and financial contribution is a substantial effort on its own (e.g., Utah Health Insurance Exchange). The ACA provides for an essential benefit package for insurers that operate

on the Exchange; however, ACA has financial implications for states if the current benefits under Medicaid and CHIP exceed this essential benefit coverage. There is a significant amount of complexity in calculating eligibility for tax credit subsidies and reporting on them to HHS and IRS. All of this must be coordinated across multiple State agencies, integrated with Federal and other verification systems, adopted by commercial health insurers and supported by a "first class" customer online web portal that provides eligibility and enrollment in real-time.

This is not your text book Health insurance Exchange! The expanded ACA definition of Health Insurance Exchange (Exchange) was used throughout this report to identify assets, gaps, and options for filling the gaps in Arizona.

ARIZONA'S ACA RELEVANT SYSTEMS

The Project Team conducted analysis of the Arizona technology systems to assess their ability to meet the requirements outlined in Section II and whether they can be leveraged to meet identified gaps. This analysis included assessing upgrading the AZTECS database and using Health-e-Arizona as a front end to AZTECS. State systems were also assessed and insurance company health plan and broker operational needs and systems were reviewed to determine if they might be used to support the insurance and SHOP operations of the Exchange.

Our evaluation and analysis were based on the following:

- Whether the system possesses any specific function or feature required in the Exchange
- Whether the system operates under an architecture that is compatible with Exchange architecture requirements and whether the system will be able to integrate with the Federal or a State Exchange
- Whether the administrative and operational structures of the system allow for a cost-effective way for the State to leverage its functions or features
- The amount of retrofit required to meet the requirements, risks associated with software integration or adoption, and others
- Evaluation of possible alternatives, including adopting or adapting existing assets versus purchasing, borrowing or building new software to assimilate functional, workflow and other capabilities identified in current software (Arizona assets) capabilities

The summary of this analysis indicates that Arizona has some significant assets to leverage to the Exchange solution. Our analysis found:

- The PMMIS system is a mainframe system that is not Medicaid Information Technology Architecture (MITA) compliant; however, it is stable, meets the current operating needs and can support what it needs to for the Exchange. Accordingly we are not recommending a replacement or upgrade to PMMIS. It will serve as a key foundational system for the Exchange and will be integrated using the Arizona TIPS data integration model.

- The ACE system is quite capable and is a workhorse for CHIP and other AHCCCS programs. ACE can continue to serve and support the programs well and could be used to support the Exchange. However, a key issue with ACE is that both the database (Oracle) and the programing language (Visual Basic 6) used to build ACE are aging, and soon will no longer be supported (i.e. no maintenance) by the vendors. The state could make a decision to maintain the program on unsupported software, but we recommend an upgrade of the software. Since upgrading the software requires it to be re-written from client-server to web-based capabilities, we recommend that the ACE be upgraded to a technical platform consistent with the Exchange and that it essentially takes advantage of the Exchange services and other components.

- The TIPS data exchange model and associated integration among AHCCCS, DES and Health-e-Arizona systems is outstanding. This integration model is a key asset for the Exchange and can be leveraged for other information exchanges across State agencies. It is our opinion that this model could be leveraged beyond Arizona to other states.

- Health-e-Arizona is already supporting consumer self-service and community-assisted applications. It is integrated with ACE, PMMIS at AHCCCS and AZTECS at DES. This web-based system is sitting on a service-oriented architecture (SOA) with a robust enterprise service bus (ESB) that is MITA compliant. Further, this system meets HIPAA security standards. While Health-e-Arizona will need to be modified to meet the Exchange consumer mediation and automated verifications, it meets many of the current Exchange requirements and can be leveraged to the future.

- AHCCCS and DES operate capable call centers and they support document imaging systems that could also be scaled and leveraged to support the Exchange operations.

Arizona has quietly put together system capabilities that, if leveraged, will allow it to focus on identified gaps to implement the Exchange. These assets clearly put Arizona ahead of many states when it comes to preparation for and availability of assets that can be leveraged to support the Exchange.

IMPLICATIONS OF HEALTH-E-ARIZONA AS THE AZTECS FRONT-END

Prior to contemplating the implications of the ACA requirements for the Health Insurance Exchange, DES Division of Benefits and Medical Eligibility (DBME) expressed interest in enhancing Health-e-Arizona to serve as the primary user interface for all Eligibility Worker and customer service functions. Currently, AZTECS is the user interface for these functions. AZTECS is an IBM mainframe-based system that does not offer the flexibility, richness and dynamism of the newer front-end technologies used in web applications.

Review of Eligibility Worker and customer service functions conducted by DES staff, as well as the challenges AZTECS presents as the primary user interface for staff, indicated that the primary user interface would need to provide a number of functions and features, while communicating real-time with AZTECS. The functions and features can be categorized as:

- Guided Application and Case Update
- Customer Service and Case Lookup
- Workload Management
- Local Office Customer Visit Management
- Administration
- Electronic Interfaces

In the new environment, achieving significantly greater efficiency and user satisfaction is imperative. In the context of the ACA requirements for a consumer-mediated Exchange, AZTECS as a user interface is a gap. It is our assessment that the benefits of proceeding with replacing AZTECS with the Health-e-Arizona front-end far outweigh the risks and therefore we propose that the development work proceed as planned.

ARIZONA IT SYSTEM GAPS

While Arizona has a number of system assets that can be leveraged to the Arizona ACA Exchange, we also identified a number of Arizona information systems gaps with what is required under ACA. Based on our analysis, most of the gaps identified roll-up into five major areas that will need to be addressed *no matter* which option the state selects to implement an Exchange. Descriptions for the *major gaps* are summarized below.

1. The existing web application needs to be enhanced to meet the consumer mediated, automated verifications and private insurance choices ACA requirements.
2. There is no existing system that supports plan management capabilities.
3. The AZTECS database cannot handle the volume of real-time transactions required by ACA.
4. The PMMIS system resides on an older technology platform that may also need an upgrade. However, the upgrade is not critical for interacting with the Exchange since PMMIS already handles real-time transactions to meet Exchange requirements and projected increased volume.
5. ACE (KIDS Care and other health programs) needs to be upgraded.
6. The current data exchange processes do not use the NIEM standard.

As noted in the prior section, the AZTECS front-end replacement is directly in line with requirements required to support the Exchange, and, therefore, we have identified it as a gap related to ACA.

ARIZONA HAS OPTIONS

After identifying the Arizona system assets and gaps, five options were identified to fill the gaps. These options include:

Option 1 – Use the Federal Exchange
Option 2 – Join a Multi-State Solution
Option 3 – Leverage Existing State Systems and Fill Gaps with New Development
Option 4 – Leverage Existing State Systems and Fill Gaps by Borrowing
Option 5 – Build a Solution from Scratch

Each option is described from the standpoint of how they integrate into the Arizona IT system ecosystem (except for Option 5, which creates an entirely new Arizona system ecosystem). Descriptions include an overview of the option and the key items that must be modified, added or that will remain largely unchanged should Arizona pursue the option. All five options will meet ACA guidance and associated currently known standards and requirements.

The options and assessment data served as the basis for estimating Arizona staff resources and work plans, timelines, costs, risks and other factors that should help guide Arizona Leadership to determine which "gap filling" option is best for Arizona.

OPTION ANALYSIS

We developed a high-level work plan for each option and more detailed work plans for Options 1 and 3 (as recommended by the Arizona Leadership). The work plans are based on our experiences in system development as well as our experience in working with Arizona.

There are many unknowns for each of these options. For example, for Option 1, little is known about what the Federal government will do to support and fund states that decide to use this option. Likewise, for Option 2, we are aware that Utah is actively trying to establish a multi-state Exchange and has informed Arizona of its intentions, however little is known about other states that may be forming multi-state options. There are similar questions for the other options. Accordingly, we will highlight the assumptions or areas where more information or guidance is required to help inform decision-making and understanding.

The staffing resources provided are estimates and will need to be refined by the State and by the vendors the State selects to support its work. The estimates should serve as a benchmark as Arizona evaluates forthcoming information. The table below summarizes estimated State resources and costs by option, along with analysis of time considerations and risks associated with each option. The full report provides additional detail on resources and costs.

	Option				
	1	2	3	4	5
			Leveraging Existing Arizona		
System Vendor Role	Use the Federal Exchange	Joining and Multi-State Solution **	. . . with New Development	. . . by Borrowing **	Build from Scratch (Rip and Replace) ***
State Total State Resource Cost Estimates	$ 746,504	$ 1,007,689	$ 1,254,904	$ 1,431,052	$ 4,293,156
Total Contractual (Vendor) Cost Estimates	$ 8,871,000	$ 21,871,000	$ 19,973,000	$ 20,150,000	$ 120,000,000
Total Estimated Costs by Option	$ 9,617,504	$ 22,878,689	$ 21,227,904	$ 21,581,052	$ 124,293,156
Financing Options	Uncertain	Esablishment and 90/10	Establishment, 90/10, GUX, Subscription Model	Establishment, 90/10, GUX, Subscription Model	Establishment, 90/10, GUX, Subscription Model
Meet ACA Timeline?	Likely	Not likeley	Moderately Likely	Not Likely	Least Likely
Risks (e.g. Complexity, Control, Known vs. Unknown, Time, Costs, Perforamnce, Strategic Alignment, Consumer Acceptance, Political)	Moderate	High	Lowest	Moderate	High

It is clear from our analysis that:

- Each option has trade offs
- The challenge in meeting the federal timelines is herculean no matter which option or options are selected
- There is still much to be revealed in terms of guidance (likely more in the next couple of months)

After meeting with Arizona Leadership, their analysis of the possible options identified Option 1 and 3 as the most viable. The analysis completed and documented in this report confirms these two options are the most viable. However, there is a concern regarding Option 1 (Using the Federal Exchange) that must be explored in detail prior to proceeding with this option. The Federal Government needs to clarify whether federal financing will be available under this option to integrate the State systems with the Federal Exchange for required data exchange with Medicaid, Health Plans, Department of Insurance and others. Current guidance for federal financing options does not appear to support or provide financing to States to cover development and IT costs to utilize the Federal Exchange solution. While this may appear to be the least expensive of the five options, it would not be prudent for the State to consider this option without Federal financial support. Until these uncertainties regarding Federal financial support can be clarified and evaluated, Option 3 appears to be the lowest risk, highest control, lowest cost option for Arizona. The details of the staff resources, risk assessment, estimated costs and next steps are presented in more detail in Sections 7 through 10 of the report.

If Arizona decides to proceed with Option 3, 4 or 5, we would recommend that the AHCCCS Team initiate discussions with Hawaii, since it currently also uses Arizona's PMMIS system. Hawaii may want to join the Arizona Team to take advantage of the technical capacity being developed. If Hawaii should decide to proceed with Arizona, the Hawaii team should be engaged on the appropriate ACA Exchange committees as early as is practical in the ACA Exchange Project. The Arizona/Hawaii agreements would have to be modified to reflect the appropriate financial considerations.

CONCLUSION AND NEXT STEPS

The good news is that Arizona has a very capable team and significant assets to leverage. State resources have been used to promote and build towards a vision of integrated technology that:

1. Supports electronic receipt of new, modified and renewal applications for Medicaid, CHIP, Medicare Savings Programs, SNAP, TANF and more.
2. Leverages the application process to community assistors and consumers.
3. Efficiently moves data to the right parties so decisions are made timely.
4. Uses automated verifications wherever possible.

The State visionaries who have pushed for this integration are capable of making ACA work for Arizona. This strong, insightful and technology savvy team is one of Arizona's strongest assets. The value of this asset should not be underestimated in helping Arizona manage this complex ACA Exchange endeavor.

The most obvious next step is for Arizona Leadership is to review and assess the five options presented and determine which will best meet the State's needs. We have provided a number of other steps that can be initiated while this decision is being made. As everyone in Arizona knows, time is of the essence and the State needs to make every moment count.

This Gap Analysis is an import project, which we hope provides a foundation and a road map to help support Arizona prepare for ACA 2013 (really 2013)!

SECTION I: INTRODUCTION AND PROJECT BACKGROUND

The Patient Protection and Affordable Care Act of 2010 (ACA) provides for each state to have a Health Insurance Exchange (ACA Exchange). The State of Arizona thoughtfully determined that a detailed Information Systems Gap Analysis would provide the foundation for making strategic and fiscal decisions about how Arizona should best implement a Health Insurance Exchange that meets the needs of the people of Arizona and complies with ACA Federal guidance.

ACA is a game changer both in terms of the culture of enrollment in public and subsidized health insurance, and in terms of the infrastructure needed to support the enrollment process. ACA sets forth a vision that includes:

- All individuals have the opportunity to make informed choices about their health coverage using a "first-class" consumer-mediated process
- Consumers apply for Medicaid and tax credits and subsidies, renew coverage, and learn about final determination online
- Systems talk to each other and share information seamlessly so consumers don't have to provide the same information over and over again
- One door allows consumers to access all options and information provided for one program will support eligible consumer applications for other programs, including both public and private coverage
- Transparency and ease-of-use enables consumer participation, thereby reducing burden for states and counties

To guide states in implementing this vision, the federal government has provided formal communication on Information Technology (IT) systems development. Federal guidance on this front is both cumulative and ongoing, and to date includes the following documents:

1. State Planning and Establishment Grants for the Affordable Care Act's Exchanges (Planning Grants) – June 29, 2010
2. HHS Enrollment HIT Standards Section 1561 – September, 2010
3. HHS and OCIIO Cooperative Agreement to Support Innovative Exchange Information Technology Systems grant (Early Innovator Grant) - October 29, 2010
4. CMS and OCIIO Guidance for Exchange and Medicaid Information Technology Systems, Version 1.0 - November 3, 2010
5. Notice of Proposed Rule Making - November 3, 2010
6. Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchanges (Establishment Grants) – January 20, 2011
7. Eligibility and Enrollment Blueprint-Exchange Business Architecture Supplement draft, Version 0.5 - March 10, 2011

8. Collaborative Environment and Life Cycle Governance – Exchange Reference Architecture Supplement VERSION 0.91 - March 16, 2011
9. Exchange Reference Architecture: Foundation Guidance Version 0.99 – March 16, 2011
10. Harmonized Security and Privacy Framework – Exchange TRA Supplement Version 0.95– March 16, 2011
11. Medicaid and Exchange IT Architecture Guidance: Framework for Collaboration with State Grantees – March 16, 2011
12. Enhanced Funding Requirements: Seven Conditions and Standards: Medicaid IT Supplement (MITS 11-01-v.1.0) – April 2011

While ACA provides states with significant latitude in how reform is ultimately implemented, the guidance above starts to set forth expectations around consumer-mediated enrollment processes, systems architecture and security, sharing of IT assets among states, and more. The guidance contained in ACA and embodied in the above documents set the foundational layer of requirements for states. **Section II: What is a Health Insurance Exchange?** summarizes the requirements and provides the detail for the analysis conducted on each of the Arizona systems assessed as part of this project. **Appendix A** includes comparisons of the Arizona systems to these requirements.

The Governor's Office of the State of Arizona selected Social Interest Solutions (SIS) to help the State understand the breadth of federal guidance; to assess Arizona's IT system readiness and gaps for meeting ACA requirements and guidance; to evaluate the potential for the AZTECS database to meet ACA requirements and assess the feasibility of using Health-e-Arizona as a front-end to AZTECS for users; to analyze and provide options for Arizona to consider to implement an Exchange, with cost projections and a risk assessment of the alternatives.

In addition, Arizona would like to leverage the opportunity that Exchange implementation offers to modernize IT systems that will support efficient application processing and management of public benefit and private insurance. Implementing an Exchange in Arizona will *only* work if the ACA guidance is contextualized in terms of the state's programs, organizational structure, consumer needs and expectations and capacity to initiate and adopt change. These local nuances provide the foundation upon which to layer the federally required systems reform prescribed in ACA.

The project kicked off on February 25, 2011 and concluded in May 2011. SIS reviewed existing ACA guidance, conducted an eligibility and enrollment system inventory, assessed each system readiness to meet ACA requirements and guidance; observed existing State IT assets and deficiencies; and conducted multiple stakeholder interviews to garner feedback from State agencies, the Governor's Office, IT staff, health insurers/health plans and health insurance brokers.

Drawing from the perspectives of various stakeholders and the gap assessment, this report provides an analysis of the assets and gaps of current Arizona IT systems in the context of ACA requirements and guidelines, including the potential to strengthen existing Arizona IT infrastructure. The report then presents five Exchange options for Arizona to consider with accompanying cost projections, staff resources needed and associated risks. Appendices include references and detailed information on the systems inventory and assessments.

The state must address many elements to ready itself for the new responsibilities associated with ACA. These elements include establishing Health Insurance Exchange (ACA Exchange) operational components (e.g., authorities, organization, administration, and more), determining an approach for providing the minimum benefit package, providing an easy to use web-site for individuals and small employers to evaluate and select coverage options that work for their business and employees, and determining whether to use the Federal Exchange, enhance or leveraging existing state systems, or purchase new systems to provide a more robust technology to support the underpinnings of the Exchange responsibilities.

OBJECTIVES

The objectives of this report are to:

1. Provide a detailed assessment of federal reform requirements and incorporate updated federal guidance.
2. Inventory and assess relevant Arizona systems' readiness and gaps for meeting ACA requirements and guidance to determine functionality and potential for use in the Exchange (mapping systems against current federal IT systems guidance).
3. Create a technology gap analysis to inform consideration of alternative options.
4. Evaluate the potential for the AZTECS database to meet ACA requirements and assess the feasibility of using Health-e-Arizona as a front-end to AZTECS for users.
5. Provide options for consideration to implement an Exchange, with cost projections and associated benefits and risks for the alternatives.

This information systems gap assessment must be reconciled not only to the federal mandates, requirements and guidance, but also with Arizona State leadership vision and key stakeholder feedback.

As ACA defines it, an Exchange is an organized marketplace to help consumers and small businesses buy health insurance in a way that permits easy comparison of available health plan options based on price, benefits, and quality. By pooling people together, reducing transaction costs, and increasing price and quality transparency, ACA envisions that an Exchange will create more efficient and competitive health insurance markets for individuals and small employers.

As required by ACA and associated federal guidance, the Arizona Exchange must carry out a minimum set of functions including:

- Certification, recertification, and decertification of qualified health plans
- Exchange website
- Call center
- Premium tax credit and cost-sharing reduction calculator

- Quality rating system
- Navigator program
- Eligibility determinations for Exchange participation, advance payment of premium tax credits, cost-sharing reductions, Medicaid and CHIP
- Seamless eligibility and enrollment process with Medicaid, other State health subsidy programs, and other human service programs (e.g., Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance to Needy Families (TANF))
- Enrollment process
- Applications and notices
- Individual responsibility determinations
- Administration of premium tax credits and cost-sharing reductions:
- Adjudication of appeals of eligibility determinations
- Notification and appeals of employer liability
- Information reporting to IRS and enrollees
- Outreach and education
- Risk adjustment and transitional reinsurance
- SHOP Exchange-specific functions

The Exchange IT systems must also be interoperable and integrated with state Medicaid programs to allow consumers to easily switch from private insurance to Medicaid and CHIP as their eligibility changes. In addition, the IT systems must be able to provide data to HHS or other Federal agencies as needed.

The following section describes our methodology for assessing Arizona's technology assets in relation to ACA requirements and guidance to determine if they can be "re-used" or leveraged for Arizona's HIE solution.

APPROACH

Our overall approach to this analysis was based on the fundamental principle that ACA and the subsequent federal guidance related to Exchanges, eligibility and enrollment systems and program integration offer an amazing opportunity to modernize systems that will support efficient processing of public benefit and private insurance applications and management.

To be successful, as previously noted, a state must contextualize all of the guidance in terms of the state's programs, organization structure, dynamics and consumer needs and expectations and capacity to change and adopt change. The local nuances provide the foundation for layering the federally required system reform prescribed in ACA.

In recognition of these critical considerations, we have developed an approach that encompasses three major components as shown in the diagram below.

Each component of our approach is critical to assessing the current capabilities as compared to requirements, as well as identifying assets that may fill the "gaps" and the associated risks.

Arizona has been at the forefront of various innovations since implementing the Arizona Health Care Cost Containment System (AHCCCS) and various consumer-facing websites like Health-e-Arizona, My AHCCCS and My Family Benefits. Through the leadership of AHCCCS, Arizona has developed a robust integration model that is used to exchange data between Health-e-Arizona, AHCCCS and DES. Arizona is one of the first states to offer applicants the ability to apply and manage their benefits on-line, without assistance. As part of this web presence, applicants are able to check their current eligibility status, apply on-line, submit new, modified or renewal applications and otherwise manage their benefits for Medicaid, CHIP, Medicare Savings Programs, Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance to Needy Families (TANF) and a number of other state and local programs. Arizona is a leader in on-line eligibility determination across programs supported by a full integration model like Technology Interface Project System (TIPS).

The methods used to meet each of the objectives are described below.

1. ***Provide a detailed assessment of federal reform requirements and incorporate updated federal guidance.*** The Project Team reviewed the ACA and the associated guidance, which includes:

   - ACA Section 1561 Standards and Protocols, Ver. 1.0, September 17, 2010 [http://healthit.hhs.gov/portal/server.pt?open=512&mode=2&objID=3161]
   - Health Insurance Exchanges: State Planning Grants, September 30, 2010 [http://www.healthcare.gov/news/factsheets/esthealthinsurexch.html]
   - HHS and OCIIO Cooperative Agreement to Support Innovative Exchange Information Technology Systems grant (Early Innovator Grant), October 29, 2010 [www.hhs.gov/ociio/initiative/index.html]
   - Guidance for Exchange and Medicaid Information Technology Systems, Ver. 1.0, November 3, 2010 [http://www.hhs.gov/ociio/regulations/joint_cms_ociio_guidance.pdf]
   - Notice of Proposed Rule Making, "90/10", November 3, 2010 [http://www.federalregister.gov/articles/2010/11/08/2010-27971/medicaid-federal-funding-for-medicaid-eligibility-determination-and-enrollment-activities]
   - Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchanges, January 20, 2011 [http://cciio.cms.gov/resources/fundingopportunities/foa_exchange_establishment.pdf]
   - Eligibility and Enrollment Blueprint-Exchange Business Architecture Supplement draft, Version 0.5 - March 10, 2011
   - Collaborative Environment and Life Cycle Governance – Exchange Reference Architecture Supplement VERSION 0.91 - March 16, 2011
   - Exchange Reference Architecture: Foundation Guidance Version 0.99 – March 16, 2011
   - Harmonized Security and Privacy Framework – Exchange TRA Supplement Version 0.95– March 16, 2011
   - Medicaid and Exchange IT Architecture Guidance: Framework for Collaboration with State Grantees – March 16, 2011
   - Enhanced Funding Requirements: Seven Conditions and Standards: Medicaid IT Supplement (MITS-11-01-v1.0) Version 1.0 April 2011

   Guidance was reviewed and discussed with federal officials at HHS and in a number of federal workgroup forums. The requirements established by these documents as well as the imbedded references were assimilated into a Gap Analysis Checklist. The detailed check list is included in Appendix A and was used to compare and contrast the range of capabilities of the Arizona systems that were inventoried and analyzed. Because the checklist is so detailed, we have provided a high-level, narrative summary in Section V: Arizona Information Technology System Gaps of this document.

   The requirements set forth in the Gap Analysis Checklist served as our guide in interviewing key DES and AHCCCS staff and observing systems on-site, and to identify "gaps" that need to be addressed to have a fully functioning Exchange.

As with many ACA related developments, the IT guidance and information is evolving daily. A clear advantage for Arizona is that the Arizona leadership team has been pro-active in keeping abreast with CCIIO as it is formulating and disseminating new guidance as well as information disseminated to early innovator states.

2. ***Inventory and review relevant to Arizona systems for public and private programs to determine functionality and potential for use in the Exchange (mapping systems against current federal IT systems guidance.*** The project team conducted an eligibility and enrollment system inventory through meetings and interviews with leadership and key staff from Department of Economic Security (DES) and Arizona Health Care Containment System Information System (AHCCCS). Informants helped to identify and describe the complex key subsystems that could potentially be leveraged for meeting federal requirements. The Project Team conducted system reviews, on-site walk-throughs, detailed standard, functional and security evaluations and other analysis. Potential re-use of technology assets is possible because of the architecture requirements included in ACA guidance.

   We then conducted a review of current state eligibility and enrollment systems identified in Section III: Findings and Analysis of Potential Arizona Information Technology Assets as compared to ACA guidance in the context of Arizona's environment. The detailed review of these systems is contained in Appendix A.

   The system reviews helped to determine the current functionality of State eligibility and enrollment systems and to identify assets that may be leveraged to meet Arizona's needs. The reviews included identification of the technical architecture, consumer access and usability, accessibility, call center and help desk support, vertical and horizontal integration, data structure, privacy and security and rules management. The reviews also included discussions with the key parties that operate and manage each system, direct observation of systems in use and, in some cases, direct interaction with existing web-based consumer systems. Throughout this process, we also identified gaps in the existing systems and where they will need to be augmented.

Interviews with Arizona Health Plans/Carriers and key health insurance brokers helped to inform the extent to which these systems could integrate into an Exchange or require modification for that purpose. We performed less intensive reviews of several Health Plan/Carriers and Broker systems to consider whether there were potential systems that could serve the small business (SHOP) component of the ACA Exchange. A summary of this review can be found in **Appendix D**.

The Project Team also interviewed key stakeholders at the Arizona Governor's Office, Department of Insurance, and the Government Information Technology Agency (GITA). The information and insights gathered from these interviews were used throughout this analysis.

The summary findings from this assessment are summarized in **Section III: Findings and Analysis of Potential Arizona Information Technology Assets** and the details are documented in **Appendix A** with matrices that compare the system assets to the federal requirements in detail. A summary of Health Plan or Carrier, broker, advocate and other interviews can be found in **Appendix C.**

3. ***Create a technology Gap Analysis to inform comparison of the five alternative options.*** The Project Team assessed both functional and technical attributes of Arizona existing or legacy systems to determine potential use or modification to meet Section 1561 of ACA requirements and inform the Options. The functional assessment looked at what the user needs to do via the system and described this process in non-technical language (e.g. the application needs to support address verification once an address is entered.) In the technical assessment, we examined:

    - System architecture (how systems communicate, transactional architecture versus Systems Oriented Architecture, or consumer-server vs. Web-based etc.)
    - In what computer language they are written: e.g., Cobol versus .Net
    - Integration capabilities to meet federal and state requirements

    We considered potential assets from a licensing and cost standpoint and also reviewed: options that may be available from other states; development of the Federal Exchange; and other Federal activities in support of ACA implementation.

4. **Evaluate the potential for the AZTECS database to meet ACA requirements, as well as expanding Health-e-Arizona to be the front end to AZTECS.** The Project Team reviewed the technical platform of the AZTECS database and assessed its ability to support ACA requirements. In addition to on-site reviews, technical analysis, the team met with DES IT Leadership to understand the plans or thoughts contemplated for upgrade.

5. ***Analyzed the impact of adopting Health-e-Arizona as the front end to AZTECS.*** This upgrade would insure that the Eligibility Workers at DES has a more user friendly user interface that is more consistent with what consumers also use. The Project Team met with DES functional and technical staff to understand the issues associated with current process using the AZTECS user interface and the business functions needed of an alternative front-end. Further, the project team compared the functional needs to the features and functions existing in Health-e-Arizona to identify the enhancements required to meet the functional needs. Finally, the team identified the benefits and risks associated with this approach in the context of the implementation of the ACA Exchange in Arizona.

6. **Provide options for consideration to implement an Exchange, with cost projections and associated benefits and risks for the alternatives.** Results from the technology Gap Analysis were used to develop five options with cost projections and associated risks:

    Option 1 – Adopt or Default to the Federal Exchange

    Option 2 – Join a Multi-State Solution

    Option 3 – Leverage Existing State Systems and Fill Gaps with New Development

    Option 4 – Leverage Existing State Systems and Fill Gaps by Borrowing

    Option 5 – Build a Solution from Scratch

The next section defines Health Insurance Exchange and provides some parameters as to what is meant by Health Insurance Exchange as defined by ACA and the associated guidance.

SECTION II: WHAT IS A HEALTH INSURANCE EXCHANGE?

ACA thrust the term Health Insurance Exchange on the world. The words "Health Insurance Exchange" can mean different things to different people. Further, the ACA Health Insurance Exchange includes many functions and features that would not traditionally be included or addressed in this context. So it is appropriate to clarify how "Health Insurance Exchange" (Exchange) is used in the context of this report and for purposes of identifying gaps that may exist for Arizona to meet the ever looming responsibilities for providing an Exchange in 2014, through either a Federal-Operated Exchange or a State-Operated Exchange. Because the definition of an Exchange under ACA does not fit nicely into the pure definition of Health Insurance Exchanges, we will also describe "what" the ACA Exchange must do to provide more clarity to how the word "Exchange" is used for conducting the Gap Analysis. The remainder of this section describes the ACA Exchange.

HEALTH INSURANCE EXCHANGE BY THE BOOK

Most people, particularly insurance-knowledgeable people, would assert that a Health Insurance Exchange is a marketplace that offers health insurance purchasers a variety of plans from different insurance companies with different benefits and prices. Health plans and carriers in an Exchange must meet certain criteria defined by the Exchange management. These Exchanges combine technology and human advocacy through use of electronic, web-based comparative tools, and often support online eligibility verification and other mechanisms to connect purchasers with Exchange offerings.

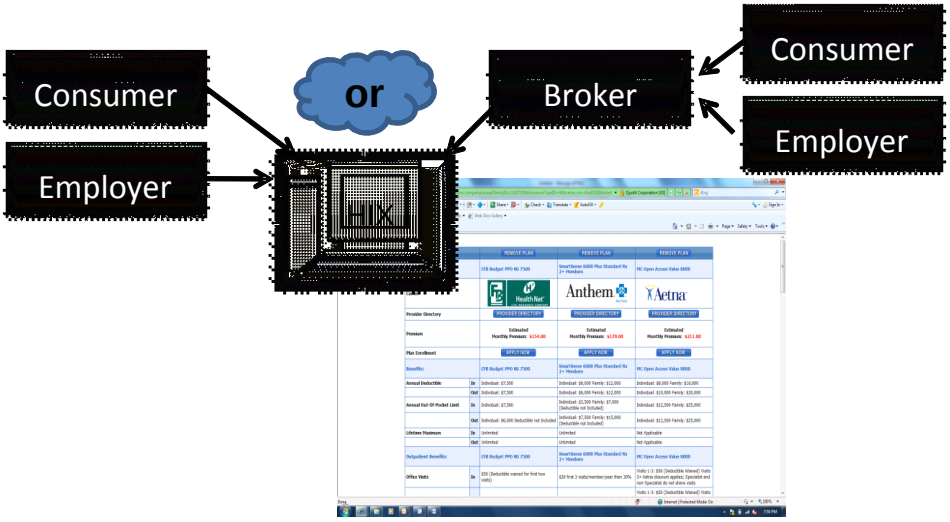
Health Insurance Exchanges in this context can either be public (run by a government agency) or private (run by a private sector company). Public Health Insurance Exchanges are open to all eligible individuals in the general public. Typically, a public Health Insurance Exchange is a marketplace run by the federal government, state or other jurisdictions (e.g., counties, Indian Tribes, others) and offer standardized health care plans for individuals, some of whom are eligible for government subsidies. In contrast, private Health Insurance Exchanges can be open to the general public or designed to serve specific populations such as employees or retirees of individual employers or members of associations.

Regardless of the type, these exchanges are designed to help purchasers find the best possible plan value, personalized to their specific health situation. Exchanges are not themselves insurers, so they do not bear risk themselves, but determine which insurance companies are allowed to participate in them. These Health Insurance Exchanges are generally offered through an online plan comparison tool. Once a consumer provides a little personal information, they will get a laundry list of plans. Consumers generally have access to informational tools and/or a live agent to support the process of researching, shopping, comparing and purchasing health insurance. These online comparison tools allow the consumer to view Exchange offerings by:

- **Rates**. If a consumer has a budget in mind, they can narrow down the search results to a few policies that will fit their monthly budget. Consumers can also view how deductibles and co-insurance rates will match to certain monthly premium.
- **Insurance carriers.** Many consumers may prefer a certain carrier because of previous coverage, ratings or benefits provided by the carrier.

- **Plan benefits.** With online comparison tools, consumers can review plans based on price and benefits to find the plan that has their highest priority features.

In simplistic terms, this by-the-book definition could be pictured in a diagram like the one below:



HEALTH INSURANCE EXCHANGE ACCORDING TO ACA

The Exchange envisioned in the ACA takes as its base the public Health Insurance Exchange *described* above. So, the foundation of this new Exchange includes:

- A marketplace operated by a government, or quasi-government agency.
- Certain criteria defined by the Exchange management that Health plans and carriers in a Health Insurance Exchange must meet.
- Being open to all *eligible* individuals in the general public.
- Some individuals who are eligible for government subsidies, including:
  - Premium tax credits to limit the amount an individual spends on health insurance premiums, ranging from two percent of income at 100 percent of the Federal Poverty Level (FPL) to 9.5 percent of income at 300 to 400 percent of the FPL.
  - Cost-sharing credits for lower-income individuals so that, on average, individuals with income between 100-150 percent of FPL are responsible for no more than 6 percent of total costs, individuals with income between 150-200 percent of FPL are responsible for no more than 13 percent of total costs, individuals with income between 200-250 percent of FPL are responsible for no more than 27 percent of total costs, and individuals with income between 250-400 percent of FPL are responsible for no more than 30 percent of total costs.
  - Sliding scale tax credits to eligible small employers with fewer than 25 employees and average annual wages of less than $50,000 that purchase health insurance for employees.

- Offering purchasers of health insurance a variety of plans from different insurance companies with different benefits and prices, and offered through online, web-based technology capabilities.

In addition to these core functions of a public Health Insurance Exchange, the ACA Exchange adds some critical dimensions that provide the consumer and small employers a larger array of health insurance and coverage options. It is a much broader definition of an Exchange.

First is the goal to support over 35 million persons to obtain health insurance or coverage who are currently uninsured. This is a massive market place. Other key differences are that in addition to offering the Exchange to support individuals or small businesses to obtain accessible and affordable health insurance (which is akin to the more traditional role of a Health Insurance Exchange as defined above), the ACA Exchange also:

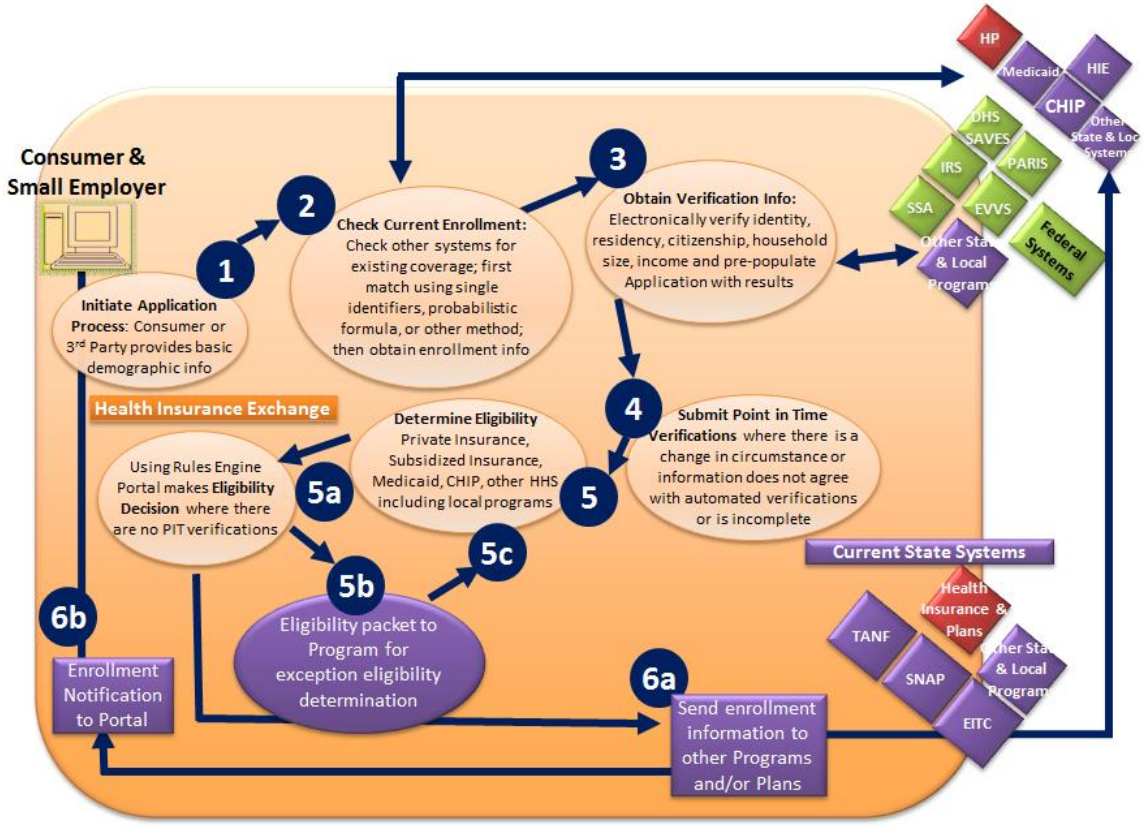
- Provides access to state-based Small Business Health Options Program (SHOP) Exchanges for small businesses with up to 50 employees, or up to 100 employees depending on the state. These Exchanges, like the individual market Exchanges, will include web portals to make comparing and purchasing health insurance easier for small businesses.
- Ensures strong and continuing oversight by state insurance commissioners regarding consumer protections, rate review, and solvency.
- Monitors the financial integrity of the Exchanges through annual audits and financial reporting overseen by the Secretary of Health and Human Services, and establishes procedures and protections to guard against fraud and abuse.
- Provides Americans with choice of coverage among several standard benefit packages that provide comprehensive health care services with different levels of cost sharing.
- Includes new Medicaid and Children's Health Insurance Programs as offerings on the Exchange which, depending on eligibility, provides for the benefits to be provided at no cost ranging to 100% self-paid benefits.
- Support for other health and human service benefits, including Medicare Saving Programs, Supplemental Nutrition Assistance Program (SNAP or food stamps), Temporary Assistance to Needy Families (TANF) and other health and human service programs.
- Ensures availability through the Exchanges of state-based co-ops, which are non-profit, member-run health insurance companies that serve individuals in one or more states, and multi-State plans, offered by private insurance carriers under the supervision of the Office of Personnel Management and available nationwide.
- Requires standardized format, definitions, enrollment applications, consumer satisfaction, and marketing requirements to allow easy comparison of the prices, benefits, and performance of health plans.
- Requires a toll-free telephone hotline to respond to consumer requests for assistance.
- Assists users in determining online if they are eligible for health care premium tax credits or public programs, and consumers without access to the Internet may enroll through the mail or in person in a variety of locations.

- Funds health coverage Navigators in states to conduct public education activities, distribute information about enrollment and premium credits, and provide enrollment assistance.
- Eliminates discrimination by insurers for pre-existing conditions, prohibiting them from refusing insurance coverage or charging higher premiums because of past illnesses.
- Eliminates lifetime limits on the dollar value of benefits and regulates use of annual limits until 2014, when annual limits will be prohibited.
- Prohibits insurance companies from dropping or watering down coverage for those who become seriously ill.
- Prohibits insurance companies from charging more because of gender.
- Places annual caps on how much insurance companies can charge for out-of-pocket expenses.
- Provide for changes throughout the year and renewals in subsequent periods.

As part of ACA, the Exchanges are to be at the State level, but should a State fail to offer an ACA Exchange that meets the criteria set forth above, the Federal government must provide the Exchange capabilities for that State. The ACA calls for the US Health and Human Services Secretary to establish awards and grants to States for them to establish, expand, or support health insurance consumer assistance should they choose to establish a State ACA Exchange.

So, the "by the book" definition of Health Insurance Exchange is significantly expanded by ACA. This ACA Exchange must provide for a range of options from self-paid commercial health insurance to no cost health coverage which has new eligibility rules. There are many traditional Medicaid rules that do *not* change, and must remain in place, that also must be handled by this Exchange. Add to this, the ability to use the data gathered to support obtaining health coverage to also be used to determine eligibility for other human service (non-health) programs. Supporting small business health insurance access and financial contribution is a substantial effort on its own (e.g., Utah Health Insurance Exchange). ACA provides for an essential benefit package for insurers that operate on the Exchange, but also has financial implications for states if the current benefits under Medicaid and CHIP that exceed this essential benefit coverage. There is a significant amount of complexity in calculating eligibility for tax credit subsidies and reporting on the same. All of this must be coordinated across multiple State agencies, integrated with Federal and other verification systems, adopted by commercial health insurers and supported by a "first class" customer online web portal that provides eligibility and enrollment in real-time.

The process or systems that support the ACA Exchange are illustrated in the diagram below.



The ACA broadened definition for "Exchange" has:

- Governance and organization implications (Who is going to run it?)
- Exchange approach decisions (Market maker vs. Market aggregator?)
- Educational implications (How are consumers and small businesses going to be informed about the Exchange and their options and how to access them?)
- Support considerations (Who are the navigators? Who licenses them? Who manages the network of navigators? What type of call center must be set up? Who staffs it and runs it? How is the call center staff trained across the range of options? How are consumers and small businesses able to access 24x7 support? Who will support the Exchange operations and systems?)
- Coverage continuum management (How do the insured and covered stay insured and covered? What happens in the case of transitional situations such as change in employers or change in eligibility?)
- Risk and financial management considerations (What is the overage continuum? How much will it cost to operate? How much will it cost to build and operate the systems? How is the market place engaged and encouraged to offer high value, low cost products? State Medicaid and other human service benefit cost implications?)
- System construction, integration and operation (What systems can be leveraged? What systems must be built? How will the systems talk across the State and to the Federal systems? Who will be responsible for managing the systems?)

Because of the disparity of the "by the book" definition of Health Insurance Exchange and the ACA Exchange, many people who hear about the ACA Exchange or many insurers, who are more familiar with the "by the book" Health Insurance Exchanges, underestimate the complexity of the ACA Exchange. The ACA and the associated guidance wants States who operate an ACA Exchange to translate this complexity into an easy-to-use, internet-based, online Exchange solution that will assist consumers and small employers in making informed decisions in real-time.

This report assesses options for Arizona in supporting the technology needs of the ACA Exchange, including providing an easy-to-use, internet-based, online solution. As is true with most situations, the operations and other requirements, such as required standards, of the Exchange drive the technology needs. It will be critical that the system, or systems, implemented to support the Arizona Exchange offer efficiency, scalability, capacity to manage risk and financial impacts of the Exchange and support consumers and small employers in making choices that meet their needs. The following section describes the standards, operational aspects and implications for technical support required of the ACA Exchange.

WHAT THE ACA EXCHANGE MUST DO

According to ACA and the associated Federal guidance, Exchanges must carry out several functions to support the ACA Exchange as defined above. More detailed information will be provided on the requirements for each function in future guidance. Each of the minimum functions of an ACA Exchange as called out in Federal guidance is listed below:

- Certification of qualified health plans
- Call center
- Exchange website
- Quality rating system
- Navigator program
- Premium calculator
- Eligibility determinations for Exchange participation, premium tax credits, and cost-sharing reductions
- Seamless eligibility and enrollment process with Medicaid and other State health subsidy programs
- Enrollment process
- Applications and notices
- Individual responsibility determinations
- Premium tax credit and cost-sharing reduction administration
- Appeals of eligibility determinations
- Outreach and education
- Risk adjustment and transitional reinsurance
- SHOP Exchange-specific functions

We believe this list needs a little organization to make it a bit more understandable and relate it to the organizational involvement. The organized list and associated description as provided by Federal guidance are presented below.

INSURANCE OVERSIGHT FUNCTIONS

Each Exchange will also need to work closely with the State Department of Insurance in order to successfully carry out the activities of the Exchange. The State Department of Insurance will oversee the regulation and licensure of health insurance issuers, including those that offer qualified health plan coverage through the Exchange. In addition, the State Department of Insurance may be the State entity that processes consumer coverage appeals for premium tax and other insurance related coverage concerns and complaints (Medicaid eligibility appeals and complaints will continue to be handled by AHCCCS). Working with the State Department of Insurance will be essential in ensuring the financial stability of insurance companies, certification of plans, rate review, State licensure, solvency, and market conduct. Key issues, such as adverse selection, related to the functioning of the individual and small group markets inside and outside the Exchange will be important to Exchange success. The specific Exchange functions that are related to Insurance are:

- **Certification, Recertification, and Decertification of Qualified Health Plans**

  Each Exchange, whether for the small group or individual market, must have a process in place to certify, recertify, and decertify qualified health plans. States must begin defining their process and approach to these activities with health plans in the early planning and establishment phases of an Exchange. There are many steps in this process, and we have provided milestones as a framework for carrying out these activities. However, States may be on slightly different timelines and we encourage States to develop timeframes for these activities that are achievable yet ensure they can be ready for open enrollment in mid to late 2013. In order to meet this deadline, Exchanges must begin the process of selection and certification of qualified health plans in 2012.

- **Quality Rating System**

  Each Exchange will need to assign a quality rating to each plan in accordance with the quality rating system that will be issued by HHS. Also, certification of qualified health plans will include consideration of quality data.

- **Navigator Program**

  Each Exchange will establish a Navigator program under which it awards grants to entities to provide various services to health care consumers, including facilitating enrollment in qualified health plans.

- **Risk Adjustment and Transitional Reinsurance**

  Pursuant to the Affordable Care Act, each State must implement a risk adjustment program and a transitional reinsurance program in accordance with Federal standards. Funding under the Establishment grants may be used to support risk adjustment and transitional reinsurance. States will need to plan for necessary data collection to support risk adjustment, including demographic, diagnostic, and prescription drug data. Qualified health plans may be required to submit encounter

data, and therefore, States need to develop data and other systems to support risk adjustment. HHS will release more guidance on these programs and the Federal standards for operations.

- **SHOP Exchange-Specific Functions**

  The Affordable Care Act requires each State that elects to operate an Exchange to establish a Small Business Health Options Program (SHOP) Exchange. The SHOP Exchange will facilitate the purchase of coverage in qualified health plans for the employees of small businesses that choose to purchase coverage through the Exchange. Starting on January 1, 2014, small employers can only qualify for Small Business Health Care Tax Credits if they purchase coverage for their employees inside the Exchange or SHOP Exchange. States may choose to merge the operations of their SHOP Exchange with their individual market Exchange. For purposes of this funding opportunity, we have identified SHOP Exchange-specific functions to aid States in their operational planning efforts related to the SHOP Exchange.

ELIGIBILITY AND ENROLLMENT FUNCTIONS

The Exchange will need to integrate with the State Medicaid program in order to ensure seamless eligibility verification and enrollment processes. Because ACA also addresses other health and human service programs, the complexity of enrollment must be addressed across the human service spectrum as well. To reach this goal, the Exchange, the State Medicaid, CHIP, and Human Service eligibility agencies will need to closely partner on systems development and operational procedures. Further, the Exchange is supposed to support other health programs that may be offered at the community level.

- **Exchange Website with Premium Calculator and Premium Tax Credit and Cost-Sharing Reduction Calculator**

  Each Exchange will maintain a website through which enrollees and prospective enrollees may: obtain standardized comparative information on qualified health plans, apply for coverage, and enroll online. Exchange websites will also need to post required transparency information. Exchanges may choose to provide many more services on their websites. In addition, each Exchange website must provide access to an electronic calculator that allows individuals to view a preliminary actual cost of their coverage once premium tax credits have been applied to their premiums, and the impact of cost-sharing reductions, if they are eligible.

- **Eligibility Determinations for Exchange Participation, Premium Tax Credits, and Cost-Sharing Reductions**

  Key operations of the Exchange will be verification and determination of eligibility and enrollment of individuals in qualified health plans. The ACA includes requirements for these functions that will be spelled out in greater detail in future HHS guidance. Key functions within this functional area include:

  - Eligibility determinations for:
    - Premium tax credits
    - Cost-sharing reductions
    - Medicaid, CHIP, and other health subsidy programs
    - Free choice vouchers

- Appeals of eligibility determinations
- Exchange applications and notices in compliance with Federal standards

- **Seamless Eligibility and Enrollment Process with Medicaid and Applicable State Health Subsidy Programs**

  There are numerous milestones that Exchanges will need to accomplish between now and 2014 to create seamless eligibility and enrollment between the Exchange and Medicaid and other State health subsidy programs. The Exchange must determine an individual's eligibility for Medicaid, CHIP, and other applicable State health subsidy programs and with the exception of delivery system selection, enroll such individuals in the program for which they are eligible. While it is not required, the Exchange may facilitate delivery system selection for individuals determined eligible for other applicable State health subsidy programs if such arrangement is made with the State Medicaid agency or other agency administering such program. Each State's situation will be different and milestones will need to be tailored to these specific scenarios. In addition, many of the steps needed to reach this goal will be carried out through the development of information technology systems in close partnership with State Medicaid programs.

- **Enrollment Process**

  The Exchange will need to facilitate plan selection for an individual who is eligible to enroll in a qualified health plan. This includes providing information about available qualified health plans that is customized according to an individual's preferences, receiving an individual's choice of plan, and providing enrollment transactions to qualified health plan issuers.

- **Applications and Notices**

  The Exchange must implement all requirements for applications and notices consistent with Federal requirements. Applications and notices include forms that will facilitate the application and enrollment of individuals into qualified health plans as well as notices that the Exchange will need to issue to facilitate program operations and communication with enrollees. For example, Section 2715 of the Public Health Service Act (added by Section 1001 of the Affordable Care Act) includes specific requirements related to development and utilization of uniform explanation of coverage documents and standardized definitions concerning format, cultural and linguistic appropriateness, and preferred communication mechanisms.

- **Individual Responsibility Determinations**

  The Exchange must have in place a process to receive and adjudicate requests from individuals for exemptions from the individual responsibility requirements of the Affordable Care Act, and to communicate information on such requests to HHS for transmission to IRS.

- **Premium Tax Credit and Cost-Sharing Reduction Administration**

  The Exchange must perform administrative activities related to premium tax credits and cost-sharing reductions. For example, an Exchange will need to communicate with HHS in situations when a person would like to report a change in income level, which will trigger redetermination of eligibility

for premium tax credits. Exchanges are the first point of contact for prospective enrollees who will be interested in learning more about premium tax credits and for seeking assistance when needed.

- **Consumer and Employer Support Functions**

  Consumer assistance activities carried out by the State through the State's Consumer Assistance Program or other health ombudsman programs are closely related to the services that will be provided to consumers through the Exchange. For example, an Exchange may be the first point of contact for a consumer who is seeking assistance or who would like to file a coverage appeal. In addition, consumers may reach out to Exchanges to file complaints. Consumer Assistance Programs are required to help consumers resolve problems, answer questions, file complaints and appeals, enroll in coverage and apply for low-income subsidies. For these reasons, a State must ensure robust capacity for consumer assistance for all of its residents and must ensure that the Exchange reinforces and strengthens consumer assistance capacity. The Exchange must collaborate closely with other entities within the State who are carrying out these activities and develop a plan to facilitate this ongoing collaboration. In States without Consumer Assistance programs, the Exchange could plan to implement these activities. States should take care to ensure they do not supplant funding provided by HHS under the State Consumer Assistance Grant program with Exchange establishment funding. However, States may use Exchange establishment funding to establish and/or strengthen Consumer Assistance programs, and may transition those supported by the Section 1002 State Consumer Assistance Grant program to Exchange operations.

- **Call Center**

  As part of its plan to provide meaningful access to consumer assistance, each Exchange must operate a toll-free hotline to respond to requests for assistance from consumers. HHS will provide future guidance containing more specific information about the requirements for Exchange call centers. Each Exchange should aim to have a call center ready before open enrollment, but States may set up these services earlier to facilitate outreach to consumers and to answer consumer questions about how the Affordable Care Act may affect individual access to health insurance. In addition, a State could explore partnering with its State Consumer Assistance Program or Health Ombudsman program to jointly contract for or to operate a call center as these activities will be very closely related.

- **Appeals of Eligibility Determinations**

  Individuals may seek to contest the eligibility determinations made by the Exchange, and therefore, the Exchange will need to implement a process for processing appeals.

- **Outreach and Education**

  Each State will need to have in place a robust education and outreach program to inform health care consumers about the Exchange and the new coverage options available to them. The Exchanges must also educate consumers about the benefits of purchasing health insurance coverage through the Exchange, including access to health plans that meet State and Federal certification standards and access to assistance with paying their premiums and cost-sharing. Each Exchange may determine a unique strategy for conducting outreach and enrollment activities and timelines may

vary depending on the investment Exchanges choose to make in these activities as well as the size and diversity of the populations each Exchange needs to reach.

- **Financial Management**

  Each Exchange will establish a financial management structure and accounting system that adheres to applicable provisions of generally accepted accounting requirements and ensures sound financial management of Exchange funds. We have provided some milestones that should be included in the Exchange Work Plan related to establishing these functions. Applicants should create additional milestones that are tailored to their Exchanges' particular management structure and that will ensure the Exchanges are in compliance with State and Federal regulations.

INFORMATION TECHNOLOGY – THE UNDER PINNING OF ACA EXCHANGE PROCESSES

Information technology will be a component of all of the business functions of the Exchange as described above. The first level of consideration is who interacts with the Exchange and what the Exchange must support related to this interaction. While this list is likely to grow and evolve, the list of major interactions between specific types of users and the Exchange are summarized in the table below.

STAKEHOLDER INTERACTING WITH THE EXCHANGE	DESCRIPTION OF STAKEHOLDER-EXCHANGE INTERACTION
Consumer (Individual or Employee of a Small Business)	• Applies, selects and enroll in a qualified health plan, Medicaid, CHIP, or other health and human service programs • Applies for an exemption from the individual responsibility requirement, if not applying for health insurance or coverage • Reviews electronic verification information to insure accuracy • Makes updates to their personal information that may result in changes to the individual's eligibility and enrollment • Provides additional documentation as requested by the Exchange (i.e., proof of citizenship, income, etc.) if electronic verification is not successful or accurate • Determines if employer offers health coverage through the Exchange, if yes, then the individual interacts with the SHOP Exchange to apply for, select, and enroll in a qualified health plan • Initiate appeals process if disagrees with determination of eligibility or exemption from the individual responsibility requirement
Navigator, Agent and Broker	• Assists individuals and employees throughout the process of applying for coverage in a qualified health plan, individuals applying for an exemption from the individual responsibility requirement, and employers applying for participation in the SHOP Exchange

STAKEHOLDER INTERACTING WITH THE EXCHANGE	DESCRIPTION OF STAKEHOLDER-EXCHANGE INTERACTION
STAKEHOLDER INTERACTING WITH THE EXCHANGE	DESCRIPTION OF STAKEHOLDER-EXCHANGE INTERACTION
Employer (Eligible for SHOP)	• Seeks health insurance coverage for its employees • Chooses to participate in the SHOP Exchange, prepares an application, selects plan offerings, determines employer contribution, and communicates with employees • Makes changes about employees covered, programs and/or plan offerings • Allows employer to initiate the eligibility appeals process if an employer is determined ineligible for the SHOP Exchange • Allows employer to initiate the eligibility appeals process if an employee is determined eligible to receive an advanced premium tax credit
Health Insurer offering a Qualified Health Plan (Health Plan)	• Receives a notification from the Exchange each time an eligible consumer selects a qualified health plan offered by that issuer • Provides coverage to an eligible consumer who enrolls in a qualified health plan • Receives applicable updates and notifications when an enrolled consumer has changes in eligibility or dis-enrolls through the Exchange • Receives notifications from the SHOP Exchange when the employer chooses to no longer offer its plan to their employees
Federal Data Services Hub	• Receives application information from the Exchange in order to provide verification results from authoritative federal sources (e.g., SSA, DHS, IRS, other verification systems) back to the Exchange • Receives reports on eligibility determinations and determinations for individual responsibility exemption from the Exchange • Receives reports on individual enrollment from the Exchange to support payment of Advanced Premium Tax Credit and Cost Sharing Reductions • Receives reports on employer participation in the SHOP Exchange and employee enrollment in a qualified health plan from the Exchange • NOTE: Determine extent to which the Data Services Hub can support other functions and stakeholders or data integration

STAKEHOLDER INTERACTING WITH THE EXCHANGE	DESCRIPTION OF STAKEHOLDER-EXCHANGE INTERACTION
Medicaid, CHIP and the Basic Health Program Note 1: ACA allows States to design new coverage programs for individuals and families with incomes between 133% and 200% of the poverty line. If a state elects the option, these people would choose a plan under contract with the state instead of one offered in the insurance exchange. The State would receive Federal funds to operate its Basic Health program equal to 95% of the cost of the premium and cost-sharing subsidies that would have gone to providing coverage for this group in the Exchange. Note2: SNAP and TANF are omitted from recent federal guidance, so it is omitted here, but the Interactions would be similar to these programs	• Receive individual applicant information from the Exchange in order to provide information back to the Exchange regarding an applicant's existing health coverage, if any • Receives individual applicant information from the Exchange when individuals have been determined eligible or potentially eligible for coverage through these programs • Ensures that an individual who is determined eligible for Medicaid, CHIP, or the Basic Health Program by the Exchange receives coverage without delay • Informs the Exchange regarding individual eligibility determinations for individuals who were referred to such programs from the Exchange for additional screening • [The Exchange] Receives individual applicant information from Medicaid, CHIP, and the Basic Health Program for individuals that have been determined ineligible for such programs but may be eligible for the Exchange

STAKEHOLDER INTERACTING WITH THE EXCHANGE	DESCRIPTION OF STAKEHOLDER-EXCHANGE INTERACTION
The following Health Plan Management (Exchange organization or other designated agency to be responsible for Health Plan Management) functions are identified for each Stakeholder group. NOTE: For purposes of this report, given these decisions are not made in Arizona, the Health Plan Management responsibilities are called "The Exchange".	• "The Exchange" publishes a Qualified Health Plan solicitation and the Health Plan submits a proposal • Based on "The Exchange's" proposal evaluation, proposal revisions may be required • "The Exchange" certifies an offering as a Qualified Health Plan and notifies the Health Plan • "The Exchange" generates (or updates) the Qualified Health Plan agreement and provides it to the Health Plan • The Health Plan accepts the agreement, and provides the accepted agreement to "The Exchange" • The Health Plan provides quality rating data to "The Exchange" • If continuing participation, the Health Plan provides recertification process information as required by "The Exchange" • "The Exchange" notifies the Health Plan of recertification • The Health Plan updates (either periodically or as changes occur) Health Plan information in accordance with Qualified Health Plan agreement requirements (Note: This information may include, for example, provider network updates, changes to Health Plan general information, transparency and quality information, complaint information, and marketing materials) • The Health Plan provides a justification for rate increases
Health Insurer offering a Qualified Health Plan (Health Plan)	• "The Exchange" provides Health Plan and plan information to HHS • HHS collects this information from all Exchanges, geographically aggregates it, and makes it available for use by "The Exchange" • HHS provides information on plans offered, premiums and level of coverage to IRS • "The Exchange" notifies HHS when Health Plans or Qualified Health Plans are not renewed or when the availability of plan enrollment changes • HHS notifies IRS of Health Plan or Qualified Health Plan non-renewals • HHS provides the Qualified Health Plan quality rating methodology
United States Department of Health and Human Services (HHS)	• May make available information on issuers and plans (e.g., licensure, solvency, market conduct information, complaints) • May conduct and provide the results of rate and actuarial reviews • "The Exchange" provides Health Plan and Qualified Health Plan information to the State Department of Insurance
State Insurance Department *State Agencies*	• State Agencies may provide Health Plan and Qualified Health Plan complaint information to "The Exchange" • States may opt to have the State Department of Insurance aggregate this information prior to providing it to "The Exchange"

The more detailed requirements for each of these categories is included in **Appendix A** and was used in our identification of Arizona's technology assets, as well as the identification of options for Arizona to

participate in the Federal ACA Exchange or develop its Arizona ACA Exchange by 2014. The next sub-section sets the high-level technical requirements that were established in accordance with Section 1561 of the ACA and the subsequent technology guidance.

INFORMATION TECHNOLOGY STANDARDS AND OTHER REQUIREMENTS

The sections above defined what an ACA Exchange is, what it must do and who must interact with it. Combined, this provides the minimum functions the ACA must support through technology to operate efficiently. This section provides the standards and other overarching information technology requirements for which the ACA Exchange technologies must comply. Section 1561 of ACA starts to define these overarching technical requirements and directs the Secretary of HHS to issue standards that clarify and illuminate the requirements. These standards were disseminated in September of 2010. HHS has subsequently issued additional guidance on the ACA Exchange technology requirements.

Together, the Federal guidance is both cumulative and ongoing and sets forth expectations and specific requirements around consumer-mediated enrollment processes, systems architecture and security, the sharing of information technology assets among States, and more. The standards and guidance issued to date is summarized below.

- **Consumer Experience**

  The federal government requires states to develop a transparent, easy to use, online process for consumers to make choices, apply, recertify, modify and manage benefits in the Exchange. Guidance articulates a consumer *mediated* approach in which consumers own their data and make decisions about how, when and with whom it is shared. Consumer *usability* is also called out in the guidance and Exchange systems must support a range of languages and user capabilities, including usability standards under Section 508 of the Rehabilitation Act, compliance with federal civil rights laws and standards and protocols adopted under sections 1104 of ACA.

  According to guidance, consumers can expect real-time transactions, electronic verification of eligibility from federal and state databases and third party assistance in enrolling and maintaining coverage. Consumers will enter a minimal amount of personal information, and Exchange systems must provide real-time notification of eligibility and enrollment and seamless integration among all health insurance options. Systems also need to facilitate timely resolution of discrepancies for persons who cannot be handled in real-time.

  In 2013 and 2014, the consumer can expect the same enrollment experience whether they enter through the Exchange, Medicaid or CHIP, SHOPS or brokers. Guidance calls for a highly responsive level of customer service, modeled on retail, banking, airlines and other industries.

- **Systems Integration and Data Exchange**

  Seamless integration between private insurance and public health coverage options is echoed throughout all of the published guidance. Systems need to ensure seamless coordination and integration with the Exchange, and allow interoperability with health information exchanges, public health agencies, human services programs and community organizations providing outreach and

enrollment. Systems are expected to connect consumers not only with health programs (vertical integration), but also with Supplemental Nutrition Assistance Program (SNAP), Temporary Aid to Needy Families (TANF) and other human services (horizontal integration). This vision, while not mandatory by 2014, suggests a high level of integration with little or no duplication.

To enable the interoperability and integration envisioned in the guidance, states are expected to use National Information Exchange Model (NIEM) data guidelines to permit consistent, efficient and transparent data exchange between programs and states (Medicaid, CHIP, SNAP, TANF). NIEM was developed by partnership of the U.S. Department of Justice, the U.S. Department of Homeland Security, and the U.S. Department of Health and Human Services. NIEM enables information sharing by promoting a common semantic understanding among participating organizations and data formatted in a semantically consistent manner; essentially promoting the level of standardization needed to achieve the interoperability called for in ACA guidance to date. NIEM standardizes content (actual data exchange standards), provides tools, and manages processes (see http://www.niem.gov for more information).

Finally, standard HIPAA transactions are required to enroll consumers into public and private health coverage programs. Guidance promotes leveraging existing HIPAA transaction standards (e.g., HIPAA 834, 270, 271) to send and respond to eligibility queries, as well as transmit enrollment data between public and private insurance programs.

- **Verification Processes**

  Federal guidance requires states to utilize real-time verifications with federal and other agencies for the purposes of eligibility determination for Medicaid, CHIP and subsidies and for re-certification and change in circumstances for health insurance coverage options. Guidance recommends the development of a Federal "reference software model" to obtain verification of a consumer's initial eligibility, renewal and change in circumstances. The Federal Government is contemplating the creation of such a "verification hub" for states to use to verify a consumer's information against the following databases:

  - Internal Revenue Service (IRS)
  - Homeland Security 's Systematic Alien Verification of Entitlement (SAVE)
  - Social Security Administration (SSA)
  - National Directory of New Hires
  - Electronic Verification of Vital Events Record System (EVVE)
  - State Income and Eligibility Verification System (IEVS)
  - Public Assistance Reporting Information System (PARIS)
  - U.S. Postal Service Address Standardization (USPS)

  In addition, enrollment systems should facilitate automated queries across programs to determine if a consumer is known to other eligibility and enrollment systems. If the consumer is known to another system, the Exchange system should permit for the retrieval and re-use of relevant eligibility data. Guidance also points to the use of a Web Services approach to support eligibility determinations in other health and human services programs, including Medicaid, CHIP, SNAP and

TANF. States may want to use translation tools that reliably and consistently translate or transform data from various sources and formats in their implementation plans.

- **Business Rules**

  Section 1561 and other federal guidance recommend that states clearly and unambiguously express their business rules outside of the transactional systems. The primary reason for this is to develop a consistent, reusable set of business logic that can be written once and applied broadly. In contrast, business rules that exist only as computer code are harder to understand, enforce, extract and modify.

  A key component of the federal guidance is that Federal agencies and States express their business rules in a consistent, technology-neutral standard. The clear and unambiguous expression of business rules, as well as the output of these business rules – the eligibility finding and justification – has enormous value for both developers and consumers. Clear and consistent expression will ease development of technology solutions and facilitate seamless interoperability between programs, as developers will be able to identify and understand the rules that should be coded into new and existing systems. In addition, use of consistent rules standards would also provide maximum transparency to the consumer by providing a foundation for clear, understandable eligibility determinations.

- **Privacy and Security**

  Given the unprecedented role of the consumer in enrolling in and keeping his/her public or privately financed health benefits, Federal requirements provide guidance on the need for sound privacy and security elements, with more information anticipated on this front.

  Current Federal guidance offers that State systems should be designed to collect and use the minimum data necessary for an eligibility and enrollment determination. This should be balanced with the desire to reuse information for multiple eligibility decisions (beyond just health coverage). Guidance calls out the need for states to have clear, transparent policies and processes for consumers about authorizing access to data. Authorization to access and data use intentions should be provided to the consumer in a Privacy Notice, presented to all consumers accessing the Exchange.

  It is expected that this Privacy Notice will govern the consumer's rights to confidentiality and privacy. The Privacy Notice should be provided to the consumer *prior to or at the time of* collection of personally identified information in a method the consumer can understand. The Privacy Notice should also clearly indicate all entities that will be permitted to use a consumer's eligibility data, as well as the permissible uses of such data.

  Federal guidance outlines a scenario in which consumers have:

  - Electronic access to their eligibility and enrollment data in a format they can use and reuse

- Knowledge of how their eligibility and enrollment information will be used, including sharing across programs to facilitate additional enrollments, and to the extent practicable, control over such uses
- The ability to request a correction and/or update to such data
- A consumer's ability to designate proxy (e.g., third party) access should be as specific as feasible regarding authorization

In addition, the following privacy and security safeguards are provided as a starting point for state compliance:

- Federal Information Processing Standards (FIPS)
- Fair Information Practices (FIPs)
- National Institute of Standards and Technology (NIST)
- Health Insurance Portability and Accountability Act (HIPAA)
- Health Information Technology for Economic and Clinical Health (HITECH)

Privacy guidance to date builds upon these existing practices and standards, most of which were designed to protect clinical health information, but which also provide a valuable starting point and framework for protecting enrollment health information. Privacy guidance was also informed by the ONC's *Nationwide Privacy and Security Framework for Electronic Exchange of Individually Identifiable Health Information.*

- **Systems Architecture**

  In implementing ACA enrollment provisions, States must develop modular, flexible systems including open interfaces and exposed application programming interfaces. The vision is that systems are built to permit sharing (in whole or in part), and to allow for ongoing and iterative updates and enhancements. To accomplish this, systems need to be in alignment with the Medicaid Information Technology Architecture (MITA) framework and must follow the Standard Industry Lifecycle Framework (SDLC) framework. It is expected that states will take advantage of Web Services Architecture (utilizing protocols and formats such as SOAP and XML) and Service Oriented Architecture (SOA) to leverage opportunities to share and to pool configurable resources.

  Systems and system components financed with federal financial participation are required to be non-proprietary, utilizing open architecture standards, to permit re-use by other states and jurisdictions. This guidance is intended to enable states to promote, share, leverage and re-use technologies within and among states.

All of this information established the foundation for which we have evaluated current Arizona systems for potential re-use to support the technology needs of the ACA Exchange. We have also used this information to develop and evaluate options Arizona has for participating in the Federal Exchange or developing and operating an Arizona State ACA Exchange or participating in another state cooperative.

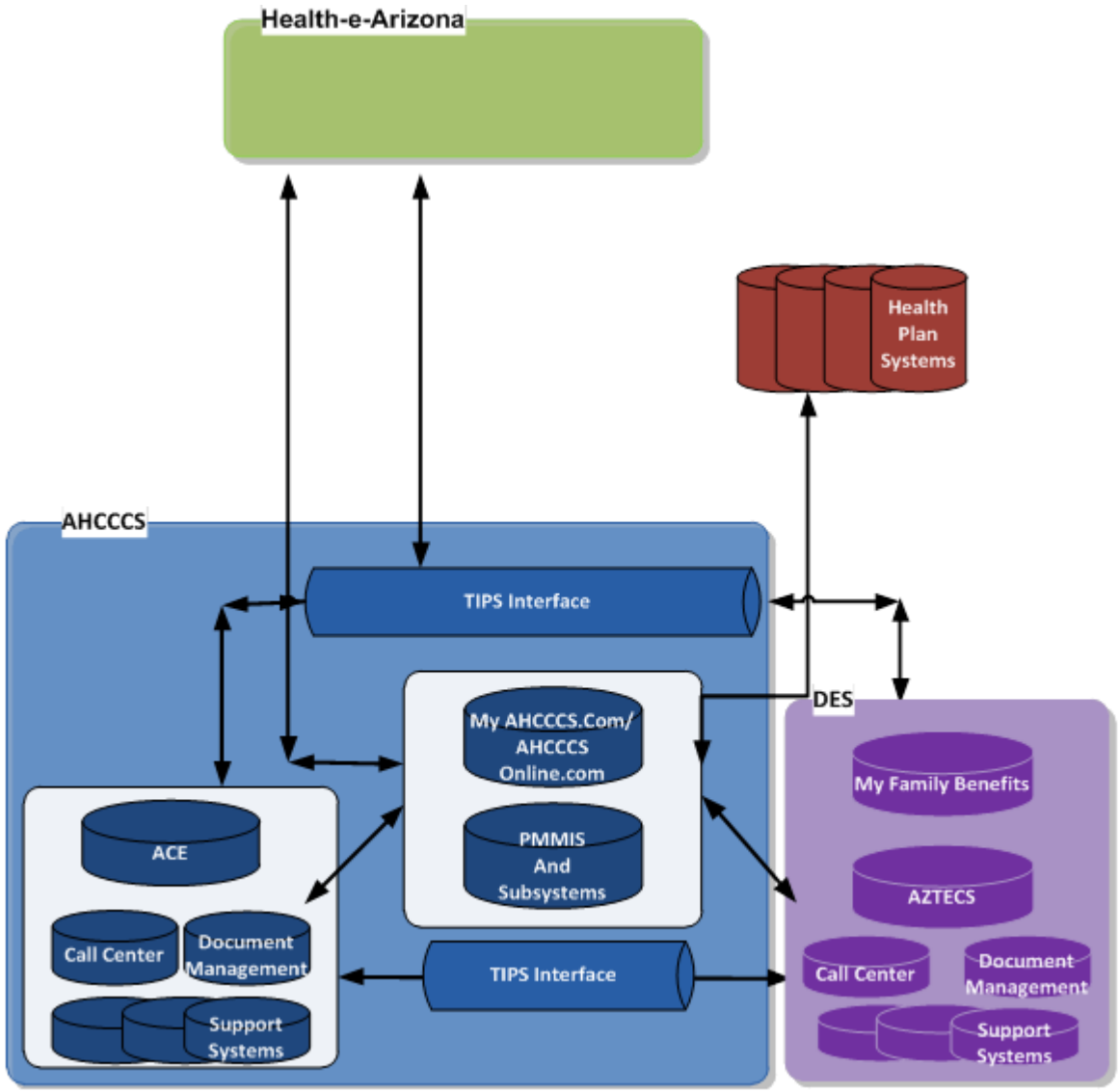
SUMMARY

At a high level, this section has identified what the business functions of the ACA Exchange are and who and how the key players must interact via the ACA Exchange and supporting systems. The technical capabilities will need to be agile, scalable and provide for robust integration in order to support the ever-expanding requirements of the ACA Exchange. The next section of this analysis identifies Arizona's technical assets and identifies their ability to meet the ACA requirements.

SECTION III: ARIZONA IT SYSTEMS

The Project Team conducted an analysis of the Arizona systems identified in the Schematic for Current Arizona IT Map below to assess their ability to meet the ACA requirements outlined in **Section II** and whether they can be leveraged to meet identified gaps. This analysis included assessing whether to upgrade the AZTECS database and using Health-e-Arizona as a front end to AZTECS. State systems were also assessed and insurance company health plan and broker operational needs and systems were reviewed to determine if they might be used to support the insurance and SHOP operations of the Exchange.

Current Arizona IT Map



Our evaluation and analysis were based on the following:

- Whether the system possesses any specific function or feature required in the Exchange
- Whether the system operates under an architecture that is compatible with Exchange architecture and whether the system will be able to integrate with the Federal or a State Exchange
- Whether the administrative and operational structures of the system allow a cost effective way for the State to leverage its functions or features
- The amount of retrofit required to meet the requirements, risks associated with software integration or adoption, and others
- Evaluation of possible alternatives, including adopting or adapting existing assets versus consideration of purchasing, borrowing or building new software that can assimilate functional, workflow and other capabilities learned from current software (Arizona assets) capabilities

The following subsections describe the result of our analysis for each of the agencies and groups and their systems.

HEALTH-E-ARIZONA

Health-e-Arizona is a web-based application that provides a simple, universal online method for low income individuals and families to access a broad range of health and social services programs. Arizona implemented Health-e-Arizona in 2002 and has processed more than 1.1 million applications for over 2.9 million people. Approximately 50,000 new and renewal applications for 130,000 people are currently submitted per month. Upgrades are made regularly including the December 2008 launch of a self-service consumer channel that allows individuals and families to apply directly online without assistance. Since then, more than 40,000 applications for more than 110,000 individuals come through the self-service, public access channel each month. Health-e- Arizona is managed by Social Interest Solutions (SIS).

- **Process**

Health-e-Arizona accepts applications from several channels: directly from consumers applying without assistance, as well from assistors in health centers and hospitals and community based organizations. Health-e-Arizona uses a turbo-tax style application process that guides the users through the process of collecting required information. Health-e-Arizona then analyzes application data, determines preliminary program eligibility and supports submission of a completed application with associated supporting documents (verifications) to State agencies (Arizona Health Care Cost Containment System (AHCCCS) and Department of Economic Security (DES)) for final eligibility determination. The Health-e-Arizona process supports new and re-certification, and change in circumstances applications.

The application process begins with a real-time check to see if the applicant is known to the State's Prepaid Medical Management Information System (PMMIS) and if so, retrieves and pre-populates the application with any existing applicant enrollment information. Once preliminary eligibility is

determined, and the applicant chooses to proceed further, Health-e-Arizona gathers additional required information for the programs for which the applicant chooses to apply. Applicants sign the rights and declarations either using an electronic or wet signature. For individuals found by PMMIS to have current coverage, the application is designated as a renewal. Information retrieved from PMMIS for these applications is used to determine to which agency the application is routed.

The system also determines which verification documents are required for specific program applications and allows applicants to fax or scan the documents into the system. Health-e-Arizona has an integrated Document Management System that is able to capture any electronically stored document (faxes, scanned or emailed documents, etc.) and associate them with a specific applicant application. The system then submits the application data to both the AHCCCS Customer Eligibility (ACE) system and the Arizona Technical Eligibility Computer System (AZTECS) using the Technical Interface Project System (TIPS) described later in this document. Health-e-Arizona also electronically transmits verification documents to an AZTECS supporting system, the DES-operated OnBase Document Management System. Currently AHCCCS eligibility workers view verifications on Health-e-Arizona and export them to the AHCCCS document imaging system. Health-e-Arizona receives the final eligibility information through the TIPS interface and allows the applicants or assistors to view this information.

Health-e-Arizona supports recertification and change-in-circumstance processes by preserving the application data and verification documents from previously completed applications and allowing applicants to provide only new information and documentation. The recertification and change in circumstances applications are submitted to ACE and AZTECS using the TIPS interface in the similar fashion described above.

State eligibility supervisors and workers use Health-e-Arizona to assign applications, look up applications and verifications submitted through Health-e-Arizona, enter final eligibility information in the instances where the information failed to transmit from AZTECS or ACE.

- **Programs Supported**
  - Medicaid (including Medicaid for children and their families, adults with no children, aged and disabled persons)
  - KidsCare (CHIP)
  - SNAP
  - TANF
  - Medicare Savings Programs
  - County and health discount programs (i.e., Pima County Access Program (PCAP), HealthCare Connect (HCC-Maricopa County), and Santa Cruz Health Connect (SCHC)
  - Health Center Sliding Fee Programs
  - Voter Registration
- **Types of Transactions**
  - New applications
  - Re-certifications
  - Change in circumstance
  - Document submission

- **Users**
  - Consumers (individuals and families)
  - Health center and hospital assistors
  - Community based organization assistors
  - State eligibility workers
  - State call center staff

- **Technology**
  - Microsoft Windows Communication Foundation
  - Microsoft BizTalk
  - Microsoft SQL Server

- **Integration Capabilities**

Health-e-Arizona can seamlessly integrate with disparate systems regardless of the technology platform they operate on. Health-e-Arizona resides on a Service Oriented Architecture (SOA) that is based on building *reusable business components* which are accessible between remote, separate applications. Health-e-Arizona architecture includes an Enterprise Service Bus (ESB) which offers the ability to create a *standard, enterprise-wide* "backbone" for deploying business processes, collaborative systems, and distributed business solutions. The ESB is the solution that allows integration of systems and it is compliant with ACA requirements to use the Medicaid Information Technology Architecture (MITA). Health-e-Arizona also employs loosely coupled web services, SOAP and XML as the data exchange protocols. Web services are required by ACA and are a set of programming standards that are "vendor-independent" that are used to make different types of software talk to each other over the Internet, without human intervention.

Health-e-Arizona is able to do real-time verifications against the United States Postal Service to validate the addresses provided by the applicant and real-time validations against the State's PMMIS system using web services. Health-e-Arizona is integrated with Arizona's ACE and AZTECS systems using a two-way TIPS interface.

- **Hosting Environment**

Health-e-Arizona is hosted in a state of the art secured data center (www.herakles.com). The data center is equipped with sophisticated 24/7 monitoring systems, a bio-metric access control system, redundant power and telecommunication capabilities, protection from environmental disasters such as fire and earth quake and many more features. The hosting environment uses established industry standard security (a detailed analysis of the security is included in the appendix). The data that reside in Health-e-Arizona are backed up daily on a tape and are sent to a secured off-site location to support data recovery in case of a system or environmental disaster.

Based on the reviews, we have prepared the following summary of our evaluation of Health-e-Arizona:

Health-e-Arizona

Evaluation Criteria	Evaluation Summary
Whether the system possesses any specific function or feature required in the Exchange	Health-e-Arizona has several features and functions that are required in the Exchange including: • Creating and Managing User Accounts • Automated Verification with Federal Systems (USPS) • Automated Verification with State Systems (PMMIS) • Self service and Assisted Application Channels • New Application Process • Recertification and Change in Circumstance Process • Preliminary Eligibility for Traditional Medicaid and Other State Programs for Arizona by using a rules engine • Provider Selection • Point in Time Verifications using sophisticated Document Management Solution • Determining Premium Amounts • Support for Education and Outreach • Operating Second Tier Help Desk • Development of Reports • Generation of Notices using Email, Text Messaging and Mail In Notification
Whether the system operates under an architecture that is compatible with Exchange architecture and whether the system will be able to integrate with the Federal or a State Exchange	The architecture of Health-e-Arizona is compatible with the Exchange architecture. The system will be able to integrate with the Federal or a State Exchange.
Whether the administrative and operational structures of the system allow a cost effective way for the State to leverage its functions or features	Health-e-Arizona is already operational in Arizona and is integrated with the State systems. It provides a strong base for the exchange solution with lots of tools and features that can be re used. Because of this the administrative and operational structure of the system will allow a cost effective way for the State to leverage its features.
The amount of retrofit required to meet the requirements, risks associated with software integration or adoption, and others	There is a sizable amount of retrofit required for many of the features to meet the requirements in terms of presenting a "first-class" consumer experience, having more real time verifications with Federal and State systems, MAGI rules, implementing some of the consumer mediated features required by the Exchange and other requirements under ACA. The risk associated with the software integration and adoption is minimal because of the fact that the architectural support is already there and the fact that SIS follows an agile development methodology which minimizes the risk associated with meeting the timeline.
Evaluation of possible alternatives, including adopting or adapting existing assets versus consideration of purchasing, borrowing or building new software that can assimilate functional, workflow and other capabilities learned from current software (Arizona assets) capabilities	The possible alternatives to the features described above is to build from scratch which is not a cost effective and efficient mechanism since Health-e-Arizona provides strong existing assets that will can be tweaked.

Arizona DES

ARIZONA DEPARTMENT OF ECONOMIC SECURITY (DES)

The Arizona Department of Department of Economic Security (DES) is responsible for 83% of the State's Medicaid eligibility determinations and operation of the Nutrition Assistance, Child Care, and TANF programs. DES performs these functions using a mainframe information system known as the Arizona Technical Eligibility Computer System (AZTECS). AZTECS subsystems and other support systems include the Central Appointment Registry, OnBase and My Family Benefits. Medicaid eligibility is determined via AZTECS, but eligible individuals and families are forwarded to the Arizona Health Care Cost Containment System (AHCCCS) PMMIS for Medicaid enrollment, operations (including Health Plan assignment where appropriate and capitation and claims payments) and other program supports. AHCCCS systems are documented separately in this report.

The details of AZTECS and its subsystems are summarized below.

AZTECS

- **Process**

Applications completed by either consumers or Assistors using Health-e-Arizona which are submitted and are preliminarily determined eligible for Medicaid, SNAP or TANF are delivered electronically to AZTECS through the TIPS interface. Applications that are delivered to DES through paper are entered into AZTECS by the DES Eligibility Workers. Income and financial obligations are also documented and verified in this process. For Medicaid applications, a customer contact may be required to clarify incomplete or inconsistent data. This contact can be conducted by phone or in person. For SNAP and TANF, an interview (by phone or in person) is required to complete the eligibility process. After the customer contact or interview the case worker initiates the eligibility and benefit determination process in AZTECS. The eligibility and benefit determination for any or all three programs (Medicaid, TANF, and Nutritional Assistance-SNAP) depending on the programs applied for, on one single screen. If AZTECS determines a child is ineligible for Medicaid due to income over the Medicaid limit, but is under 200% of the FPL, and is willing to pay the premium and does not currently have insurance, then the information for the child is electronically delivered to the AHCCCS Customer Eligibility (ACE) system operated by Arizona Health Care Cost Containment System (AHCCCS) for considering the child for CHIP. Following the AZTECS determination, the worker authorizes eligibility, as appropriate.

AZTECS supports automated electronic verifications for some information, such as address and vital records (described in the Integration Capabilities below). It also supports point in time verification where verification documents (citizenship and employment, etc.) mailed in, or handed in by applicants during the interview are scanned into a document management system called Onbase (described below under subsystems). Verifications received in Health-e-Arizona are transmitted electronically and uploaded to Onbase. These documents can be quickly retrieved and reviewed by case workers through an interface between Onbase and AZTECS. Applicants can also update their information by contacting the DES Call Center, their case worker, or directly online using Health-e-Arizona or My Family Benefits. AZTECS electronically generates eligibility, renewal and other notifications for mailing to recipients.

- **Programs Supported**
  - Medicaid
  - Nutrition Assistance
  - TANF
  - Referral to Child Care
  - Others

- **Types of Transactions**
  - New Applications
  - Re-certification
  - Modifications to consumer data (e.g. address, income, employment, pregnancy)
  - Enrollments
  - Dis-enrollments

- **Users**
  - Case workers and supervisors
  - Call center staff (supports clients)
  - Help desk staff (supports staff)
  - Quality control and other read-only users

- **Technology**
  - IBM Mainframe
  - COBOL
  - ADABASE: hierarchical database originally developed in 1987 by North Dakota and Alaska

- **Integration Capabilities**

AZTECS uses the Technology Interface Project System (TIPS) interface designed with the Arizona Health Care Cost Containment System (AHCCCS) to exchange data with Health-e-Arizona and the AHCCCS Customer Eligibility (ACE) system. AZTECS also delivers enrollment information to the State PMMIS system operated by AHCCCS. In addition, AZTECS supports batch processing for automated information verification such as PARIS, AZ New Hires, The State Drug Conviction and Felony System, SSA, State Vital Records, Unemployment Insurance system and The Work Number. Through the TIPS interface described above, AZTECS receives information from AHCCCS and merges AZTECS data to submit to PARIS. The process is then reversed to send information back from PARIS to AHCCCS.

AZTECS uses a tool called Treehouse to transfer an extract of AZTECS data for use by the IVR and My Family Benefits, to a DB2 database developed in 2010 to allow applicants to view application status, appointments, and benefits. In addition, applicants can submit change reports. The batch transactions listed above use multiple protocols such FTP, FTPS, Harbor and SFTP.

Based on our reviews, we have summarized our evaluation of this important system below:

AZTECS

Evaluation Criteria	Evaluation Summary
Whether the system possesses any specific function or feature required in the Exchange	AZTECS will serve as an important system for processing the Medicaid, SNAP and TANF programs under the Exchange solution. AZTECS also operates a call center that could be leveraged for the exchange solution.
Whether the system operates under an architecture that is compatible with Exchange architecture and whether the system will be able to integrate with the Federal or a State Exchange	The architecture of AZTECS is not compatible with the Exchange architecture. The database that AZTECS operates on is an older hierarchical database which doesn't provide an efficient way to handle high volume and high concurrent real-time transactional processing which is required for it to communicate with the Exchange. The front end screens that are used by the Eligibility Workers are not easy to use and don't provide the dynamism and user friendliness required to process high volume applications and support easily consumers. The system will need to go through extensive changes to be able to integrate with the Federal or a State Exchange.
Whether the administrative and operational structures of the system allow a cost effective way for the State to leverage its functions or features	The administrative and operational structure of the system may not allow a cost effective way for the State to leverage its features because of the third party vendors involved with the mainframe system AZTECS operates on. The cost effectiveness of these features will depend on the vendor cost associated with the system environment and tools.
The amount of retrofit required to meet the requirements, risks associated with software integration or adoption, and others	There is a significant amount of retrofit required to meet the requirements. There is also a significant amount of risk associated with the integration and adoption of the software because of the dependency on the third party vendors and the time it may take for the architectural changes that need to happen to make these features compatible with the Exchange architectural and business requirements.
Evaluation of possible alternatives, including adopting or adapting existing assets versus consideration of purchasing, borrowing or building new software that can assimilate functional, workflow and other capabilities learned from current software (Arizona assets) capabilities	The possible alternatives to the AZTECS database to support the Exchange requirements is either to migrate it to a relational database, implement a temporary wrapper relational database on the top of it or use a cloud environment for sharing a relational database with another system such as Health-e-Arizona. While migrating the database to a relational database is the ideal long term solution, the other two solutions could be considered as workarounds to meet the timeline for the ACA requirements. The alternative for the AZTECS front end will be to either build from scratch or leverage Health-e-Arizona's front end. Leveraging Health-e-Arizona's front end will be a much more cost effective model because it already supports a more user friendly and dynamic user front end that can be tweaked.

AZTECS Support Systems

- **Central Appointment Registry (CAR)** is a Web based application interfaced to AZTECS that staff uses to screen cases to determine if the case meets "expedite" criteria. It also includes a scheduling system to support the requirement for applicants to have an interview in order to complete their application. DES is considering abandoning this application in the near future.

- **OnBase** is a document management system that is well integrated into AZTECS. Staff can directly link to a client's record of scanned or faxed documents which are sorted by type. Selected documents can then be opened and viewed.

- **My Family Benefits** is a web-based system for consumers to obtain status of their applications for health insurance, food stamps, TANF and other programs; and to submit modifications such as add or delete household members, pregnancy status, address/phone changes, employment or income changes, housing, or childcare or utilities expense changes. The system launched in June 2010 and has over 6,500 accounts to date. Online applications cannot be processed from this site, but the home page has links to Health-e-Arizona (for online applications) as well as other Arizona Benefit program web sites.

- **The DES Call Center** is staffed by 80 state employees and temporary contractors with bilingual (Spanish and English) capability. Language lines are used for other non-native English speakers. The Call Center supports consumers or recipients from the entire state who need support with applications, eligibility status, modifications (address changes, adding a family member, etc.) and is open workdays from 8am to 5pm. Average wait times are 20-25 minutes, but despite efficiency efforts, can be up to 90 minutes. Calls are triaged into 20 categories that match staff skills for providing specific support. Most calls, which average 10 minutes in length, are managed by phone; some requests for help are sent by email to clerical staff from My Family Benefits. Call Center staff use AZTECS and OnBase to respond to inquiries and often have multiple screens open to toggle back and forth between AZTECS multiple mainframe screens and OnBase. Extensive training, constant monitoring and quality control procedures are in place. There is no Help Desk ticketing system. Call center notes are entered into AZTECS individual records.

Hosting Environment

AZTECS and its subsystems are maintained in the DES operated data center. The systems are supported by a total of 12 Information Technology programming staff (including 3 web developers that support the AZTECS web subsystem known as My Family Benefits, CAR, IVR, and the Case Accuracy Tracking System (CATS)). AZTECS currently supports more than 3,000 active users and up to 2,300 concurrent users. AZTECS generates 40 to 60% of DES mainframe transactions.

The Data Center operated by the State's Department of Administration currently serves as the DES disaster recovery site.

The hosting environment uses established industry standard security (a detailed analysis of the security is included in the appendix). The data that reside in AZTECS are backed up daily on a tape and are sent to a secured off site location to help recover the data in case of a system or environmental disaster.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS)

The Arizona Health Care Cost Containment System (AHCCCS) was initially established as a state-wide Medicaid Managed Care demonstration program. AHCCCS is now the state agency responsible for Medicaid and for providing health insurance to low-income Arizonans. The AHCCCS acute care and KidsCare programs are part of a statewide, managed care system which delivers acute care services through 11 prepaid, capitated health plans, plus the American Indian Health Program (AIHP) serving American Indians who choose to receive services through the Indian Health Service.

AHCCCS is responsible for all Medicaid eligibility, but directly manages the eligibility determinations for the Arizona Long Term Care System (ALTCS), KidsCare (Children's Health Insurance Program, CHIP), SSI-MAO (Medicaid for aged, blind and disabled persons), Freedom to Work, Breast and Cervical Cancer Treatment Program as well as Medicare Savings Programs. AHCCCS performs most of these operations through the AHCCCS Customer Eligibility (ACE) system and its subsystems. Apart from the development and operations of the ACE system and its subsystems, AHCCCS is also responsible for the development and operation of the State's Prepaid Medicaid Management Information System (PMMIS) as well as the TIPS interface mentioned above. AHCCCS manages the PMMIS system for both Arizona and Hawaii.

The details for each of AHCCCS system and subsystems are summarized below.

ACE

- **Process**

Applications completed by either consumers or assistors using Health-e-Arizona, that are submitted for Medicaid for Aged and Disabled persons (SSI MAO) or renewal of KidsCare are delivered electronically to AZTECS through the TIPS interface. With the current enrollment cap on the KidsCare program, Health-e-Arizona currently sends children applying for KidsCare to AZTECS for consideration for Medicaid, who are subsequently placed on a waiting list managed by ACE if they appear to be KidsCare eligible. ACE has the ability to complete a Medicaid determination for children and families. Medicaid applications for persons connected to a person renewing KidsCare are sent by Health-e-Arizona to ACE. Applications submitted to AHCCCS by paper, or phone, are entered into ACE by AHCCCS Case Workers. When complete, they are printed for the applicant's signature.

Applications for individuals who are discontinued for Supplemental Security Income (SSI cash) by SSA are also electronically delivered to PMMIS and subsequently to AZTECS or ACE for further re-determination. AHCCCS supports real time look up for verification of certain information such as vital records (described below) through batch interfaces and other look ups on the internet. It also supports point in time verification for documents that are either received electronically from Health-e-Arizona or have been submitted by applicants through mail or in person. These documents are scanned into a document

management system called Fortis. AHCCCS case workers perform the verification process and contact the applicant by phone, email, or letter. Depending on the program, other steps may be necessary prior to final eligibility determination. KidsCare is now capped for enrollment. If a child is eligible for KidsCare, the application information is stored in an ACE waiting list until when, or if, KidsCare opens for new enrollment. ACE can also determine Medicaid eligibility when necessary or appropriate.

ACE generates eligibility notices in English or Spanish using a software tool called Ghostgum. The notices are sent by mail. Once approved, ACE calculates premium rates and sends premium information to PMMIS. If the premium is not paid, ACE reads premium billing in PMMIS, generates a discontinuance notice and then terminates the recipient. ACE sends the termination notice to the recipient. A monthly batch is run for discontinuance. Reinstatement runs nightly after discontinuance until end of month.

- **Programs Supported**
  - KidsCare (including Medicaid for families and children)
  - ALTCS
  - SSI-MAO (including special programs)
  - Medicare Savings Programs

- **Types of Transactions**
  - New Applications
  - Re-certification
  - Modifications to consumer data (e.g. address, income, employment, pregnancy)
  - Premium /share of cost determination and tracking

- **Users**
  - AHCCCS eligibility staff (about 360)

- **Technology**
  - Client Server
  - Visual Basic 6.0
  - Oracle 10 g

- **Integration Capabilities**

ACE uses the TIPS interface to exchange data with Health-e-Arizona and AZTECS. ACE is also integrated with the PMMIS system and its subsystems for various activities including sending enrollment and premium information, checking status of payment and other functions. ACE supports a look up feature on the internet to check against the State Vital Records and SAVE; has an overnight batch interface tool called Wired Third Party Inquiry (WTPY) to the Social Security Administration system to verify SSN and Title II and Title XVI income.

AHCCCS Sub and Support Systems

- **Fortis** is a document management system integrated with ACE to accept any type of documents that have been faxed, scanned or emailed, sorts them into 12 categories and associates them with applicant/recipient records.

- **Data Warehouse** stores AHCCCS data in an Oracle database for generating reports using Cognos reporting system.

- **PAS** is a pre-admission screening tool in ACE that is completed by a medical assessor to determine if the ALTCS applicant is at risk for institutionalization at a nursing home or ICF MR level of care. ALTCS applicants must be medically and financially eligible to qualify for the ALTCS program eligibility for nursing care for ALTCS coverage. PAS is integrated with the financial eligibility component of ACE.

- **Technical Interface Processing System (TIPS)** is a universal data exchange framework developed and maintained by AHCCCS. TIPS provides a standard data format for exchanging information between systems and uses industry standard XML format as the backbone of the information exchange protocol for seamless integration. TIPS has enabled Health-e-Arizona, AZTECS and ACE to have a seamless and efficient two-way data exchange among them and has proved to be a huge leap towards systems integration in the State.

- **The AHCCCS Communication Center** includes two functions. The first supports applicants, members, AHCCCS providers and the public. The second function is a help desk for ACE users. The Communication Center has English and Spanish speaking staff. In the past 5 years both staff resources and call volumes have decreased (from 100 customer service representatives (CSR) handling 4,000-5000 calls by per month to 21 CSR handing 2,000-3000 per month) due to a concerted effort to support applicants and users through web-based systems and improving efficiency. Calls are categorized and documented if necessary in CATS screens. Quality control and monitoring procedures are in place. Wait times average 7 minutes with an average call taking 3-4 minutes.

  A separate Help Desk for Health-e-Arizona first tier support receives about 200-300 calls per day with 1/3 of calls having nothing to do with Health-e-Arizona. Another third are for password or access issues. Calls are tracked in an Excel spreadsheet, but are not associated with a client. Length of calls average 3-7 minutes. Neither the Communication Center nor Health-e-Arizona Help Desk uses a ticketing system.

We have prepared the following summary of our evaluation of ACE:

ACE

Evaluation Criteria	Evaluation Summary
Whether the system possesses any specific function or feature required in the Exchange	ACE will serve as an important system for processing KidsCare applications and it also has the following Exchange required feature: 1. A Notice Generation Tool 2. TIPS Interface for communication between State systems and the Exchange ACE also operates a call center that could be leveraged for the exchange solution.
Whether the system operates under an architecture that is compatible with Exchange architecture and whether the system will be able to integrate with the Federal or a State Exchange	ACE supports KidsCare, ALTECS, SSI MAO and Medicare Savings programs. Because of the enrollment cap on KidsCare, those applications are now routed to AZTECS. At the same time PMMIS maintains the eligibility information for the other programs. Because of this structure, ACE does not need to be integrated with the Exchange. If the enrollment cap for KidsCare is lifted in the future, then integrating ACE with the Exchange will need to be considered as part of upgrading ACE to a newer technology platform.
Whether the administrative and operational structures of the system allow a cost effective way for the State to leverage its functions or features	The administrative and operational structure of the system may not allow a cost effective way for the State to leverage its features because of the third party vendors involved with some of the features like the Notice Generation Tool. The cost effectiveness of these features will depend on the vendor cost associated with these tools.
The amount of retrofit required to meet the requirements, risks associated with software integration or adoption, and others	There is a sizable amount of retrofit required for ACE features to meet Exchange requirements. There is also associated risks with the integration and adoption of the features because of the dependency on the third party vendors and the time it may take for the architectural changes that need to happen to make these features compatible with the Exchange architectural and business requirements.
Evaluation of possible alternatives, including adopting or adapting existing assets versus consideration of purchasing, borrowing or building new software that can assimilate functional, workflow and other capabilities learned from current software (Arizona assets) capabilities	Possible alternatives for ACE are to upgrade it to a newer technology such as Microsoft .NET or build the architecture from scratch. Building the architecture from scratch will not be a cost effective solution as compared to upgrading the architecture to .NET. The State could either build an interface that supports the NIEM data structure to allow the communication between the Exchange and the State systems from scratch or enhance the existing TIPS interface to make it real-time and develop a NIEM translator that will act as an agent between TIPS and the Exchange to support the ACA requirements. Leveraging the existing TIPS interface with the development of a NIEM translator will be more cost effective solution for the State as compared to building an interface from scratch.

PREPAID MEDICAL MANAGEMENT INFORMATION SYSTEM (PMMIS)

- **Process**

PMMIS is a mainframe system operated by AHCCCS to manage the Medicaid and CHIP programs. PMMIS maintains and manages Medicaid and CHIP enrollment, contractors and health services provider network, claims payment, encounters, finance (e.g., health plan per member per month capitation and recipient premiums) and reinsurance. PMMIS collects and stores eligibility data from AZTECS, ACE and SSA, and processes enrollment, including enrollment to contracted Health Plans, as well as manages per member per month capitation payments to the contractors. PMMIS also processes Fee for Service (FFS) claims from registered health care providers and collects service encounter data from the Health Plans. PMMIS has several subsystems to perform these functions. In addition, AHCCCS operates MyAHCCCS.com for recipients and AHCCCS Online for providers. Both are interfaced to PMMIS.

- **Programs Supported**
  - All Medicaid
  - ALTCS
  - SSI-MAO
  - Freedom to Work
  - Breast and Cervical Cancer Treatment Program
  - KidsCare
  - SSI Cash
  - Medicare Savings Programs

- **Types of Transactions**
  - Enrollments and Dis-enrollments
  - Contractor maintenance
  - Claims
  - Encounters
  - Finance
  - Re-insurance

- **Users**
  - Member Services
  - Provider Services
  - Claims Payment
  - Finance
  - Health-e-Arizona

- Communication Center Staff

- **Technology**
  - IBM Mainframe
  - COBOL
  - CA DATACOM Database

- **Integration Capabilities**

PMMIS is integrated with ACE and AZTECS through batch processes. It is also integrated with Health-e-Arizona in real-time using web services where Health-e-Arizona checks the enrollment information about an applicant. It has a batch interface with: the State Vital Records to identify dates of death and dis-enroll deceased members and CMS for FFS clients to identify cross-over claims from Medicare, Medicare Advantage Programs (weekly)and Part D Prescription Plans for managed care plans. PMMIS sends information about newborns to ACE and AZTECS through a nightly batch file.

PMMIS is also integrated with Contractor and provider systems through the HIPAA standard transactions. The HIPAA 834 is used in a batch interface with all Contractors to communicate member enrollment information. The HIPAA 820 is used in a batch interface to communicate capitation payment information. All other HIPAA transactions (e.g., 837, 835, 270/271 and 278) are supported for encounters, claims receipt, claims payment, eligibility inquiry and service review and authorization. Based on our review of PMMIS, we have prepared the summary of our findings:

PMMIS

Evaluation Criteria	Evaluation Summary
Whether the system possesses any specific function or feature required in the Exchange	PMMIS will be critical to the Exchange solution in terms of the management of health plans, claims, financing and others.
Whether the system operates under an architecture that is compatible with Exchange architecture and whether the system will be able to integrate with the Federal or a State Exchange	The architecture of PMMIS is not compatible with the Exchange architecture. PMMIS operates on an older hierarchical database which doesn't provide an efficient way to handle high volume and high concurrent real-time transactional processing - required for communication with the Exchange. The system will need significant changes to be able to fully integrate with the Federal or a State Exchange. However, the amount of interaction that PMMIS will need to have with the Exchange will not be significant. PMMIS will need to go through a reasonable amount of modification to use the real-time TIPS interface in lieu of the batch process it currently uses.
Whether the administrative and operational structures of the system allow a cost effective way for the State to leverage its functions or features	The administrative and operational structure of the system may not allow a cost effective way for the State to leverage its features because of the third party vendors involved with the mainframe system and database at PMMIS. The cost effectiveness of these features will depend on the vendor cost associated with the system environment and the database. However, for the purpose of its use in the Exchange solution, this may not be an issue.
The amount of retrofit required to meet the requirements, risks associated with software integration or adoption, and others	For the interaction that PMMIS will need to have with Exchange, the amount of retrofit will be minimal and will be mostly around the real-time TIPS interface.
Evaluation of possible alternatives, including adopting or adapting existing assets versus consideration of purchasing, borrowing or building new software that can assimilate functional, workflow and other capabilities learned from current software (Arizona assets) capabilities	A possible alternative is to migrate PMMIS to a newer relational database which would be idea,l but is not absolutely required for PMMIS's use in the Exchange solution.

SUB AND SUPPORT SYSTEMS

- **Recipient** is a subsystem that contains the enrollment information about all individuals eligible to receive AHCCCS services.
- **Health Plan** is a subsystem that manages the Contractors.
- **Provider** is a subsystem that manages the AHCCCS registered provider network.
- **Claims** is the subsystem that handles health care service claims processing.
- **Encounter** is the subsystem that handles processing of contractor paid health care service claims
- **Finance** is a subsystem that manages per member per month capitation and receives the premium rate information from ACE.
- **My AHCCCS.com** is a secure web-based system for applicants to check eligibility and enrollment status, make modifications to address, complete annual enrollment, and make premium payments.
- From MyAHCCCS.com, members can go to Health-e-Arizona, My Family Benefits, Helpdesk support, see a video on various Contractor options, and to other AHCCCS and DES sites. An online survey collects information on user experiences with the system.
- **AHCCCS Online** is a secure web-based system for providers to confirm eligibility and enrollment, obtain prior authorizations for referrals and check status of claims. AHCCCS Online pulls data from PMMIS in real time using web services and HostBridge.
- **Technical Interface Processing System (TIPS)** is a universal data exchange framework developed and maintained by AHCCCS. TIPS provides a standard data format for exchanging information between systems and uses industry standard XML format as the backbone of the information exchange protocol for seamless integration. TIPS has enabled Health-e-Arizona, AZTECS and ACE to have a seamless and efficient two-way data exchange among them and has proved to be a huge leap towards systems integration in the State.

HOSTING ENVIRONMENT

AHCCCS systems and their subsystems are maintained in a data center operated by the Department of Administration. The hosting environment uses established industry standard security (a detailed analysis of the security is included in the appendix). The data that reside in these systems are backed up daily on a tape and are sent to a secured off site location to help recover the data in case of a system or environmental disaster.

The Data Center operated by the State's Department of Administration currently serves as PMMIS' disaster recovery site.

Health Plans/ Brokers

HEALTH PLANS AND BROKERS

Health Plans and Broker systems were not individually assessed using the same Gap Assessment Tool. Each group participated in a meeting with State leadership and SIS to develop a common understanding of the planning process Arizona is undertaking. Individual interviews with plans and brokers who participated in the group meetings helped to understand their concerns and general ability to participate in the state exchange. Review of three systems (HealthNet, United Health Plan and Black, Gould and Associates) confirmed that no existing system currently meets ACA requirements. The major Health Plans and Brokers in Arizona are anticipating changes as a result of implementation of a state Health Exchange. See **Appendix C** for more detail on Plan and Broker interviews.

HEALTH PLANS

SIS met with a representative group of health plans operating in Arizona. Some of these plans are actively engaged in planning with several states and have begun to upgrade or develop their information systems and consumer-facing websites to meet known ACA standards that relate to their business. Several hope to have products that could serve as the state SHOP system. All health plans advocated strongly for: national standards for presenting options to consumers and sending and receiving plan-related data to the Exchange; centralized business rules; and a simplified premium collection process. Several plans would like to see standards similar to eHealth.com. Most plans currently have a consumer and broker channels on their web-sites for comparing options. Several plans support online applications as well as premium payment through a variety of electronic means. Dental carriers are concerned that dental insurance costs be "unbundled" from medical insurance costs.

BROKERS

The project team met with a representative group of brokers operating in Arizona. The brokers that were interviewed as part of this study do not currently have a system for individual or small business clients that are likely to meet ACA requirements for the SHOP. Most business applications are completed by hand and data entered into a health insurance or other aggregator broker systems. Currently, brokers work with health insurers to present rates to their clients after an underwriting process.

This section, in combination with the information included in **Appendix A** where there is detailed analysis and comparison of each system to the ACA requirements, sets forth the analysis conducted of Arizona system assets. The next section provides the analysis of the impact of the use of Health-e-Arizona as the front-end of AZTECS.

CONCLUSION

The summary of this analysis indicates that Arizona has some significant assets to leverage to the Exchange solution. Our analysis found:

- While the PMMIS system is a mainframe system that is not MITA compliant, it is however stable, meets the current operating needs and can support what it needs to for the Exchange. Accordingly we are not recommending a replacement or upgrade to PMMIS. It will serve as a key foundational system for the Exchange and will be integrated using the TIPS data integration model.

- The ACE system to be quite capable and a work horse for KidsCare and other Medicaid programs. ACE can continue to serve and support the programs quite well and could be used to support the Exchange. However, a key issue with ACE is that it was built using software that is aging and soon will no longer be supported by the vendor, Oracle. The state could make a decision to maintain the program on unsupported software, but we would recommend that the software be upgraded. Since upgrading the software requires it to be re-written from client-server to web-based capabilities, we recommend that the ACE be upgraded to a technical platform consistent with the Exchange and that it essentially takes advantage of the Exchange services and other components.

- The TIPS data exchange model and associated integration between AHCCCS, DES and Health-e-Arizona systems is outstanding. This integration model is a key asset for the Exchange and will be leveraged ongoing for other information exchanges across State agencies. It is our opinion that this model could be leveraged beyond Arizona to other states.

- Health-e-Arizona is supporting consumer self-service and community assisted applications. It is integrated with ACE, PMMIS at AHCCCS and AZTECS at DES. This web-based system is sitting on a service-oriented architecture (SOA) with a robust enterprise service bus (ESB) that is Medicaid Information Technology Architecture (MITA) compliant. Further, this system meets HIPAA security standards. While this system will need to be modified to meet the Exchange consumer mediation and automated verifications, it meets many of the current Exchange requirements and can be leveraged to the future.

- AHCCCS and DES operate capable call centers and support document imaging systems that also could be scaled and leveraged to support the Exchange operations.

Arizona has quietly put together system capabilities that, if leveraged, will allow it to focus on other areas of the Exchange that need to be handled (the gaps). These assets clearly put Arizona ahead of many states when it comes to preparation and assets that can be leveraged to support the Exchange.

The next section describes a project that was under consideration prior to ACA moving to the forefront. This project has a lot of synergy with the plans for an ACA Exchange. The project and its implications on the ACA Exchange project are analyzed in the next section as well.

SECTION IV: IMPLICATIONS OF HEALTH-E-ARIZONA AS THE AZTECS FRONT-END

Prior to contemplating the implications of the ACA requirements for the Health Insurance Exchange, the DES Division of Benefits and Medical Eligibility (DBME) expressed interest in enhancing Health-e-Arizona to serve as the primary user interface for all Eligibility Worker and customer service functions. Currently, AZTECS is the user interface for these functions. As described previously, AZTECS is an IBM mainframe based system that does not offer the flexibility, richness and dynamism of the newer front-end technologies such as a web application.

Health-e-Arizona has demonstrated great success in terms of guiding assistors and self-service customers through a complete and error-checked application and determining the required verifications specific to the circumstances of the application. In addition, Health-e-Arizona has demonstrated the success of integration with AZTECS through the TIPS interface. Further, the volume of applications coming through the Health-e-Arizona channel is currently more than one-third of all applications statewide and is expected to grow. These considerations led DES to the conclusion that capitalizing on this existing asset to streamline and guide work, as well as reducing the number of systems with which their staff must interact, made the most sense.

Review of the approach to enhance and implement Health-e-Arizona as the front-end for AZTECS in the context of implementing the Exchange is a necessity. In context of the Exchange, Health-e-Arizona would be morphed to be a more Exchange-like system and for purposes of this assessment and the subsequent options analysis, the future iteration of the system is referred to as Connect2Coverage. The efficiencies DES was seeking prior to contemplating the Exchange are even more critical now in the face of what will be necessary to handle an increased volume in an environment with much higher requirements for quality and response speed. In addition, implementing the new front-end will have to occur concurrently with the development and implementation of the Exchange.

This section identifies the issues or gaps DES seeks to address by implementing Health-e-Arizona as the AZTECS front-end and the major changes needed to implement Health-e-Arizona as the AZTECS front-end. It also discusses the implications of this effort in light of and in conjunction with the implementation of the ACA Health Insurance Exchange in Arizona.

THE ISSUES

DES began considering Health-e-Arizona as a front-end for AZTECS to address the following:

- Applications processed using AZTECS are not guided by policy (i.e., guided application flow) or checked for completeness until the eligibility determination step. As a result, workers must either possess an in-depth knowledge of policy or be forced to re-work many applications, compounding the worker's time and effort to complete processing and lengthening the elapsed time to complete applications.

- Approximately one third of all applications are submitted through Health-e-Arizona, and the expectation is that this volume will grow. This volume and growth has put increasing pressure on local offices and workers to manage and reconcile applications using both AZTECS and Health-e-Arizona. This is particularly difficult because there is currently no automated way to register and load applications to AZTECS that failed to auto-register when received from Health-e-Arizona via TIPS.
- The volume of applications received from Health-e-Arizona also makes it increasingly difficult to manage application assignment and eligibility decision updates on the Health-e-Arizona applications.
- Addressing customer inquiries is increasingly difficult when it is more and more common that two systems must be checked to sufficiently address the inquiries.
- DES is implementing a local office management approach which is expected to substantially improve the handling of customer traffic in local offices. A key success factor of this approach is the ability to completely address the customer's needs. This includes, for instance, completing the eligibility determination, whenever possible, while the customer is present.

Again, these considerations and concerns pre-date the contemplation of the implications of the Exchange.

ENHANCEMENTS REQUIRED

Review of Eligibility Worker and customer service functions conducted by DES staff, as well as the challenges AZTECS presents as the primary user interface for staff, indicated that the primary user interface would need to provide a number of functions and features, while communicating in real-time with AZTECS. The functions and features can be categorized as:

- Guided Application
- Case Update
- Customer Service and Case Lookup
- Workload Management
- Local Office Customer Visit Management
- Administration
- Electronic Interfaces

These categories are described in more detail below.

GUIDED APPLICATION

Refers to the handling of all applications whether initial or renewal, received via Health-e-Arizona or received in paper or walk-in. Application handling would include:

- ***Applicant Look-Up and Clearance*** – This is the automated look up of applicants against AZTECS data, similar in concept to the current Health-e-Arizona lookup against PMMIS. This feature should be included as part of all applications, not only those completed by FAA staff. This clearance should reliably identify applicants known to AZTECS and attach AZTECS Case IDs and other key information to inform and minimize the information required for the current application. For FAA staff, confirmation of a successful lookup should allow the pre-population of application data elements with available AZTECS data. In addition, the lookup could automatically trigger automated verifications and return these responses.

- ***Guided Application Entry*** – DES has witnessed the value of the guided application entry which currently walks the assistor or customer through the relevant questions based on the information supplied. These same concepts offer value to DES' Eligibility Workers to collect complete and accurate pertinent information as they complete the interview and/or entry of the required information. Support for the Eligibility Worker's entry should include the use of a data entry style feature alone or in combination with the interview style application features. Review of the FAA Interview Guide document indicates that most questions are currently covered in the Health-e-Arizona application. Approximately 20 topics or questions and associated rules will need to be added. These new questions may be entirely new or required to capture additional specificity or details to questions already included. Based on the interview guide, the answers to most of these questions are currently documented in the AZTECS Case Documentation screen (i.e., CADO), rather than in distinct data fields.

- ***Application Update*** – This is the Eligibility Worker's access to and update of applications submitted via Health-e-Arizona by community partner Assistors and customers. The principles of the guided application entry apply to this feature as well. The flow must accommodate confirmation of application to AZTECS case association and correction to association, if needed. While the application information supplied by and signed by the applicant must be preserved, this feature should accommodate the update of the application and clearly distinguish these updates. This feature is intended to address the current issues associated with registering and data loading applications to AZTECS that failed to register when initially received by AZTECS through the TIPS interface. Note that CMS has made it clear that there will be a single application for Medicaid and the Exchange. DES can have additional questions for other programs, but the state will have to comply with the single application for Medicaid in order to qualify for enhanced funding .

- ***Verification Request Management -*** Currently Health-e-Arizona's guided navigation includes the identification of the verifications required based on the information supplied and program(s) applied for. This same guidance is needed to inform and facilitate the Eligibility Worker's automated verification requests, as well as requests of customers. Support of the Eligibility Worker's verification request and management must include the trigger and capture of available automated verifications. Real time interfaces utilized in the context of the Exchange should be utilized in the same manner for applications that did not come through the Exchange. Capture and tracking of verifications satisfied by automated verifications as compared to verifications needed should inform workers as to the verifications that must be supplied by and requested

from the applicant. The guided application entry must accommodate the confirmation of verifications required and received, as well as the form of receipt.

- ***Trigger Eligibility Determination -*** Applications, for which eligibility cannot be determined on-line and real-time through the Exchange, will require Eligibility Worker handling. Assuming the official eligibility determination must occur within AZTECS, triggering eligibility would require the push of all information to AZTECS and the launch of the AZTECS eligibility determination process, as well as the return of the eligibility results from AZTECS to Health-e-Arizona. This electronic interface should occur real-time using a web service interface and the TIPS data format.

- ***Integration with ACTS Alerts -*** The Automated Change Tracking System (ACTS) is operated by DES to alert Eligibility Workers to recent changes or events that may impact the case or determination. ACTS is an AZTECS subsystem and is integrated with the OnBase image management system to capture events and generate alerts that are accessible through AZTECS. Prompting and/or access to case specific ACTS alerts prior to or at the time of triggering eligibility determination is required to ensure all available information is incorporated and accommodated in the eligibility determination. The ACTS alerts function should be reviewed and either reused and integrated or replaced by a comparable function.

CASE UPDATE

Refers to the handling of all change reports whether initial or renewal, received via Health-e-Arizona or received in paper or walk-in, as well as maintaining case notes.

- ***Change Reports*** - Processing change reports could integrate the approaches used in MyFamilyBenefits, FAA's customer portal, or expand features available in Health-e-Arizona. Change report handling must provide Eligibility Workers and customers the ability to complete all relevant information changes, including corrections to newly submitted applications (where an AZTECS case number may not yet be known) as well as existing AZTECS cases. Any change which could affect eligibility should be transmitted to AZTECS real-time, and eligibility results should in turn be transmitted from AZTECS to Health-e-Arizona. The TIPS data model and process must handle a change transaction requiring only the relevant changed information rather than a full application.

- ***Case Documentation*** – The vast majority of information currently captured in AZTECS as case notes in the CADO screens would be captured by Health-e-Arizona in discrete fields through the guided application or case update features. However, a case documentation feature is required to accommodate capture of additional case notes. This feature should accommodate notes aside for interview questions, but also associated with a set of standard categories, as well as free text notes. The standard categories will facilitate search, filter and reporting, as well as the capture of free text notes.

Customer Service and Case Lookup

Customer service and case lookup refers to the ability to look up a variety of information associated with an AZTECS case. At any point of time, Eligibility Workers should be able to look up any of the following:

- Application status
- Interview and any other appointments
- Case information
- Case benefits history
- Notifications history
- EBT Card history and issuance

Workload Management – Refers to features which support the Eligibility Workers' and supervisors' management of work in progress. Health-e-Arizona currently includes pending application workloads and includes features for auto routing, manual assignment and transfer of applications submitted through Health-e-Arizona. It is expected that these features will continue to be used, but will be expanded or enhanced to better facilitate organization and management of work in progress, whether an application or any other pending case actions. For instance, a pending application workload may integrate or incorporate ACTS alerts. The workload management features of Health-e-Arizona would be used for all applications regardless of the channel from which the application was received, thus streamlining the current work management processes by consolidating all work management to a single user interface.

Further, eligibility staff should have access to information currently in the form of AZTECS reports designed to identify exceptions. Other reports may need to be accessed through Health-e-Arizona. These will require DES to implement a process to produce and store the reports in a format and location that would be securely accessed through Health-e-Arizona.

Local Office Customer Visit and Appointment Management

FAA has recently begun piloting a local office customer service process which classifies the purpose of each customer's visit into one of seven or eight 'tracks' and organizes staff assignment based on the track. This response also closely tracks the wait time, visit time and visit outcome (e.g., eligibility decision made, question addressed, issue resolved). The method is intended provide constant information to office staff and customers regarding wait times and visit outcomes. The goal is to successfully complete or address each customer visit, eliminating the need for additional visits for the same reason. Interview notices provide one or more days and blocks of time from which the customer can choose. Effectively, a customer can visit the local office for an interview on a day of their choosing. Automation support of this process includes support of:

- Classification of customers' visits, including look up against AZTECS to identify case number, current applications, etc.
- Tracking and display of worker assignment based on 'Check Out' of customer and 'Check In' with completion time and results

- Wait times based on experience during the day
- Visit or interview length based on 'check out' and 'check in' results for the day
- Visit results

Further, all of the features above (e.g., guide application workflow, change report handling, case documentation, case lookup, etc) supported by real-time interface between Health-e-Arizona and AZTECS are required to achieve the goals of the process.

ADMINISTRATION

Underlying all of these features and capabilities requires appropriate administrative features including user role definition and user account management, help features to allow FAA staff to provide first line support to FAA users, expanded configuration features to allow FAA administrators to update certain values lists and rules, as well as data reporting features to allow FAA administrators to query and extract needed data.

- ***User Roles and Account Management*** – With this expansion the DES/FAA organization will require an expansion to the four user profiles in Health-e-Arizona. It is expected that the bulk of case work and update will be performed by Clerks, Eligibility Workers and Supervisors. These roles can build upon the current profiles. Additional profiles will likely be needed to accommodate local office managers and program managers. These likely can expand on the current supervisor and/or liaison profile. New profiles will be needed to accommodate 3-5 discrete variations of a read-only or limited update profile to accommodate the needs of client service and inquiry staff, auditors and quality control staff, as well as specific case management staff. Further administration and help desk roles will need to be defined based on the added administration features. The current user account management feature should be expanded to better accommodate the changing roles of staff and reflecting these changes accurately and appropriately associated with a single account.

- ***Additional Configurations*** – Currently Health-e-Arizona allows administrative users the ability to configure and manage certain features, data and rules, for instance, the ability to manage all help content. With this expansion, other features and values should be added to the administrative user control. This could include application routing rules (routing to FAA local offices), hospital values, income types, verification document types, and case documentation categories.

- ***Help Desk Function*** – Similar to the Call Center currently operated by DES and required in support of users of the Exchange, DES operates a help desk for the specific purpose of assisting Eligibility Workers. Health-e-Arizona currently includes features which allow the AHCCCS operated Health-e-Arizona Call Center to support the public. These help features may require modification to facilitate support of DES staff. This help role would likely be fulfilled by the current DES/FAA systems help desk. This feature should also include an on-line link to the policy manual.

- ***Reporting*** – Data queries and reporting are a constantly evolving, but no less important need. Access to existing AZTECS reports is accommodated as part of the workload management changes and requirements. This requirement addresses the access to data resident in Health-e-Arizona. Currently a copy of the Health-e-Arizona data is made available periodically for both DES and AHCCCS. In addition, this need should capitalize on a feature which allows specified users to query data, build, save and modify queries for regular or ad hoc use, as well as download data to Excel. This feature will be implemented in Health-e-Arizona during summer 2011.

ELECTRONIC INTERFACES

The success of these enhancements hinges on real-time electronic interfaces between Health-e-Arizona and AZTECS or other systems supporting DES eligibility operations. These interfaces are required to support the following:

- Applicant look up and clearance to confirm whether persons are known to AZTECS, if known obtain:
  - Person and case numbers,
  - Case status and case information,
  - Case contact information
  - Case participants and demographics
  - Verifications confirmed
- Automated access to on-line verifications utilized by the Exchange,
- Transmit application and case update information to AZTECS
- Trigger eligibility determination on AZTECS and receive results response
- View ACTS alerts by case, type or other criteria as appropriate
- Trigger ad hoc and interview notices
- Case lookup including:
  - Application status
  - Interview and any other appointments
  - Case Information
  - Case benefits history
  - Notifications history
  - EBT Card history and issuance

It is assumed that the TIPS data format would be used whenever possible or practical and the interfaces will be web services based as part of an enterprise service bus. This will require DES to implement middleware and services that accept the requests and transmissions from the Health-e-Arizona services, process transmitted data to AZTECS, trigger AZTECS processes, and respond with required results data.

IMPLICATIONS FOR THE EXCHANGE

As defined by ACA, the Exchange is an organized marketplace to help consumers and small businesses buy health insurance while being offered seamless eligibility determination and enrollment with Medicaid, CHIP, other state health subsidy programs, and other human service programs. The volume of applications for Medicaid and other human service programs are projected to rise. The proportion of determinations that will be completed real-time remains to be seen.

In the new environment, achieving significantly greater efficiency is imperative. In the context of the ACA requirements for the Exchange, the current use of AZTECS as a user interface is a gap – it does not meet the requirements and standards. The benefits and risks presented by implementation of Health-e-Arizona as the AZTECS front-end to the implementation of the Exchange are discussed below.

BENEFITS

The benefits that DES sought initially are directly relevant to positioning DES for success in the Exchange environment. The benefits include:

- Improved efficiency in processing applications – Application entry and processing which is guided by policy rules, steers workers to capturing complete and accurate information tailored to the specifics of the case circumstances in the first pass, reducing rework.
- Improved accuracy in application decisions – With the processing guided by policy and rules, the margin for error and mistakes can be significantly reduced.
- Reduced investment and higher return on investment in worker training – The user friendly interface, elimination of the reliance on codes and the policy and rules guidance reduces the amount of training and oversight required for new staff to become productive and effective.
- Streamlined support of customer inquiries – With a single system and process being used for all applications, regardless of the channel from which they were received, staff ability to quickly and accurately respond to customer inquiries.
- Simplified workload management – With the single system for workload management the complexity of managing work is substantially reduced, as a result reducing the risk of failing to address applications or other case events.
- Greater flexibility to more quickly and cost effectively modify systems to support changing policy or rules – In some cases, change to AZTECS will be required to support policy change, however, a large degree of change will be shifted to Health-e-Arizona which is newer, more flexible and easily modifiable technology. As a result the time and cost to change can be greatly reduced.
- Opportunity to consolidate help support for staff with the Call Center supporting users of the Exchange.

In light of the efficiencies required to effectively operate the Exchange, these benefits are significant.

RISKS

Taking on a project with the breadth and complexity required by the ACA requirements for the Exchange brings a number of risks. The primary risk associated with including the implementation of Health-e-Arizona as the AZTECS front-end is the addition of scope and complexity. Accommodating scope and technical complexity can be handled with thoughtful planning and diligent management. The greater risk may be in the amount of change that human resources can assimilate in a short period of time. However, in a time of great change, the new constructs of ACA may be offset by having an easier to use front-end that is more consistent with the business at hand.

It is our assessment, that the benefits far outweigh the risks and, therefore are proposing that this component of work proceed as planned. The next section identifies the major gaps associated with the Arizona systems.

SECTION V: ARIZONA IT SYSTEM GAPS

In **Section III**, we summarized our detailed analysis of the Arizona IT assets to ACA standards, requirements and security as documented in **Appendix A**. While some key assets were identified that can jump start the Arizona ACA Exchange, a number of gaps between Arizona's information systems and ACA requirements were identified. Descriptions for the *major gaps* are summarized below.

THE EXISTING WEB APPLICATION NEEDS TO BE ENHANCED TO MEET THE CONSUMER MEDIATED, AUTOMATED VERIFICATIONS AND PRIVATE INSURANCE CHOICE REQUIREMENTS OF ACA

Arizona is a leader in providing assisted and self-service (i.e., public access) channels to public benefit programs for applications, modified situations and renewals or re-certifications. While Arizona excels in this arena, the ACA requirements for consumer mediation, real-time verification with federal systems (i.e., IRS, SSA, DHS, USPS, etc.), real-time eligibility determinations, ability for consumers to file appeals on-line and inclusion of private health insurance options for individuals and small businesses (i.e., SHOP Exchange) must be added to the base capabilities of Arizona's current system.

Additionally, Arizona has established a second web-based system known as MyFamilyBenefits. The state should consider integration of Health-e-Arizona, MyAHCCCS.com and MyFamilyBenefits, so that multiple systems are not maintained, but the capabilities of all are offered to the consumers.

THERE IS NO EXISITNG SYSTEM THAT SUPPORTS PLAN MANAGEMENT CAPABILITIES

Our review identified that the Plan Management capabilities will need to be added to the cadre of technical capabilities of Arizona's ACA Exchange. At a high level, the types of functions that will need to be technically supported include:

- Quality rating system
- Premium calculator
- Eligibility determinations for Exchange participation, premium tax credits, and cost-sharing reductions
- Enrollment process for Health Insurance
- Applications and notices
- Individual responsibility determinations
- Premium tax credit and cost-sharing reduction administration
- Appeals of eligibility determinations
- Outreach and education
- Risk adjustment and transitional re-insurance
- SHOP Exchange-specific functions, including provider education, outreach, support and ability to update employee listings, etc.

Providing electronic capability to support these functions will be essential to meet the federal guidelines, but more importantly, it will be essential to have these supported technically to efficiently manage and support the administration of these functions.

THE AZTECS DATABASE CANNOT HANDLE THE VOLUME OF REAL-TIME TRANSACTIONS REQUIRED BY ACA

AZTECS runs on an older-generation hierarchical database, ADABASE, which does not (and cannot) utilize current technology design for optimization and efficiency that newer generation relational databases depend on (e.g. DB2, ORACLE and SQL Server.) As a result of this older design and the way data is stored, processing high-volume and concurrent real-time transactions becomes difficult and time consuming. Making any change to the data structure is challenging. While the AZTECS database can handle current business processes for DES (mostly batch transactions), the ACA Exchange solution requires high-volume, real-time transactional data processing. Therefore, it is necessary to upgrade the current database for AZTECS to meet ACA requirements.

The following potential solutions for this upgrade were developed through discussions with DES technical team leadership.

1. **Replace the Current Database with a Relational Database**
   Under this solution, the current AZTECS database would be replaced with a relational database such as DB2 or ORACLE or SQL Server. This upgrade would include both the new data model as well as converting the data from the ADABASE database from a hierarchical structure to a relational structure. Although this solution is the most ideal, the cost and time associated are higher than the other options mentioned below. Arizona can consider this option as the long term solution while having a workaround solution (as described in solution 2) in place to meet the timeline for the Exchange solution.

2. **Implement a Relational Wrapper Database**
   Under this solution, a relational database would be implemented on the top of the current ADABASE database. This relational database would act as an agent between the ADABASE database and the Exchange. The relational database would obtain the data required for communicating with the Exchange from the ADABASE database. The Exchange services would communicate with the relational database in real-time. The relational database would then update ADABASE if an update was needed. While not the most ideal solution, this would allow the State to meet the requirements for the Exchange solution in a cost effective way and within the timeframe. Also, DES already has a similar process implemented for other business functions where a SQL Server database acts as an agent between the ADABASE database and external services. We believe that these similar processes can be leveraged for this workaround solution until a full replacement of the ADABASE database is completed.

3. **Share a Cloud Database**
   Under this solution, AZTECS would share a relational database structure in a cloud computing environment. The cloud environment could either be for another State or, another system such

as Health-e-Arizona that already operates on a relational database. There would be structural changes to the cloud database and data conversion from the hierarchical structure to a relational structure involved in this task, but this would allow DES to have a solution that is more easily maintainable and achievable in a quicker way. However, DES will need to consider security, privacy and access control of the AZTECS data in conjunction with the cloud environment. This option could be either considered for a long term or a short term solution.

THE AZTECS FRONT-END SHOULD BE UPGRADED

The front-end of AZTECS has a standard Mainframe (i.e., "green screen") user interface for State staff (e.g., Case Workers, Supervisors, Call Center staff, and Internal Helpdesk staff). The Mainframe is an older generation technology solution that doesn't include the flexibility, ease-of-use and dynamism of newer front end web application technologies. AZTECS users perform critical business functions that include processing applications, determining eligibility, accessing verification documents, supporting clients and much more. The mainframe front-end screens are cumbersome and make it harder to assure quality control, more prone to error, and less efficient to support consumers, access and verify information, and process applications. For instance, the user interface is code-based which requires detailed knowledge of codes and screen names to efficiently navigate. The user interface provides no guidance for entering application information prior to the initiation of the eligibility determination or for verifications required for the specific applications. As a result, quality control errors occur if the application is not processed correctly. DES eligibility workers and supervisors use Health-e-Arizona to manage workloads and handle applications submitted through Health-e-Arizona. Replacing the AZTECS front-end is recommended to address these shortcomings. Using Health-e-Arizona as the AZTECS front-end leverages the best of both AZTECS and Health-e-Arizona while also benefiting DES staff by consolidating two user interfaces to one.

THE ACE SYSTEM SHOULD BE UPGRADED

The ACE System "gap" is less about the functionality than the technology that ACE functionality utilizes. The current ACE system is quite capable and supports the KidsCare (CHIP) and other Medicaid programs like long-term care. There are a number of key functions of ACE that will need to be used to support program eligibility for KidsCare. ACE is a client server system written in Visual Basic. The version of Visual Basic used by ACE will be unsupported (i.e., Microsoft will no longer provide maintenance and support for the version of Visual Basic used by ACE). So, the ACE system will have to be re-written to more current versions of Visual Basic so it can be supported. Because ACE has to be re-written, we would recommend using the same language from the Arizona ACA Exchange as well as converting it to Service Oriented Architecture. Arizona will need to decide if this is done as a module in the Exchange or as a system maintained by AHCCCS that is fully integrated with the Exchange.

ADOPTION OF A NIEM TRANSLATOR

Arizona has achieved great success with integrating the AHCCCS, DES and Health-e-Arizona systems using the current TIPS Data Exchange Model. By utilizing the TIPS model and establishing the integration of these systems, Arizona already exchanges data for its public programs in a seamless fashion. The

standards for ACA require the use of the NIEM data model for exchange of data with the federal hub (planned to handle the automated verifications, exchanges with other states and other administrative data exchanges between the federal government and the state.) So, rather than re-write all the state interfaces that already use the state TIPS standards, we recommend that Arizona meet the ACA requirements by utilizing a NIEM translator that converts Arizona data (TIPS) to the NIEM standard prior to sending to the federal government. For information received from the Federal government, Arizona would us the NIEM translator to convert the information to be consistent with the TIPS standard so it can be used by the current interfaces in the state.

CONCLUSION

High-level gaps were described above. **Appendix A** provides additional detail of the gaps based on the guidance to date. We recommend that the Arizona ACA Exchange Subject Matter Experts utilize the gaps identified in **Appendix A** (i.e., the more detailed level) when working through design options. The following section presents different options for "filling" the gaps identified.

SECTION VI: ARIZONA ACA EXCHANGE OPTIONS

Based on the analysis of available Information System assets in Arizona and the gaps that need to be addressed to meet ACA requirements and guidance, five potential options were identified for the State to consider:

Option 1 – Adopt or Default to the Federal Exchange
Option 2 – Join a Multi-State Solution
Option 3 – Leverage Existing State Systems and Fill Gaps with New Development
Option 4 – Leverage Existing State Systems and Fill Gaps by Borrowing
Option 5 – Build a Solution from Scratch

This section provides a high level description for each option and the tasks that the State will need to undertake to fill the gaps identified in Section V. Although many of the tasks will vary depending on which option the State selects, there are seven major tasks that need to be undertaken for each option. In addition to these common tasks, each option will need to support a variety of application channels for different user types with different roles. We describe the common tasks first, followed by a description of the channels to be supported by different user types.

SIS met with State Leadership to review each of these options. During this review, we presented a high-level briefing of what might be required of the state for each option, as well as high-level analysis of the impact on state resources, cost drivers, risks and timelines for each option. From this high-level discussion, State Leadership identified Options 1 and 3 to be the most viable options. The remaining sections of this report provide more detailed information on Option 1 and 3 and high-level information and Options 2, 4 and 5. While this was the initial guidance of State Leadership, additional review of all the Options as well as additional guidance from the federal government or other information may lead to different decisions. Accordingly, all options are presented for the State's consideration in subsequent sections of this report.

All of the options are designed to address the gaps identified in the previous section. In addition to these gaps, there are several other technology items that are not gaps, but rather assets that could be leveraged and may also offer some opportunity for additional efficiencies. These items are:

- **Leverage Call Center Capabilities and Look for Efficiencies**

  Both DES and AHCCCS operate call centers with skilled and capable staff and strong infrastructure and training support. Both the agencies have been successful in supporting consumers. The knowledge, expertise, resources and infrastructure can provide a strong base for the State to operate the Arizona ACA Exchange Call Center since both call centers have the ability to expand their capacity and triage calls. These call centers do not currently handle the private insurance, SHOP Exchange or other Plan Management functions. We would encourage Arizona to look at leveraging the capabilities that already exist in their current call center operations to support the new requirements rather than establishing yet another call center.

While reviewing these call centers for use on the Exchange, consideration should be given to consolidating the call center capability for the state so it maximizes its investment.

- **Utilize Current Document Management Solutions**

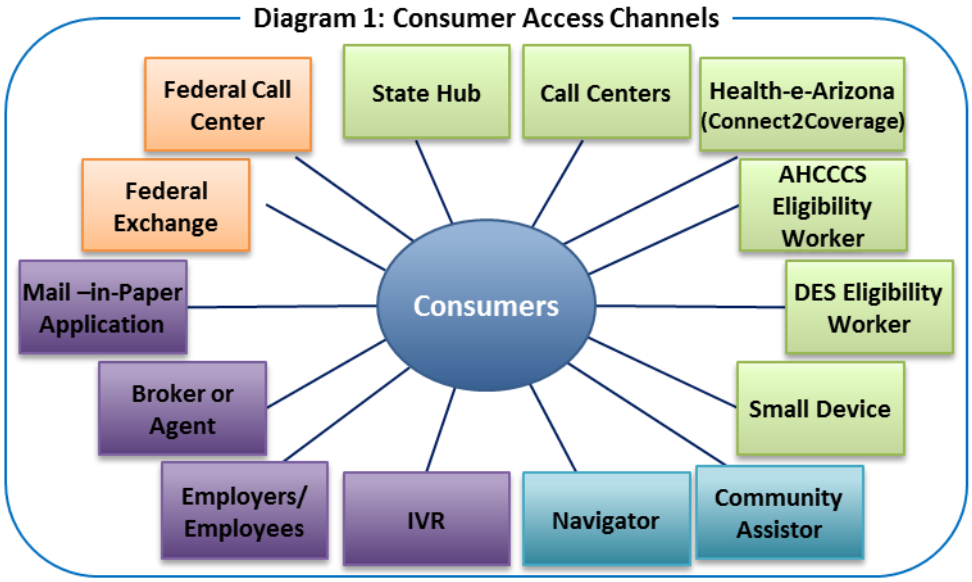
  Both DES and AHCCCS have sophisticated document management solutions that allow digitization of supporting documents provided by consumers and easy access to documents for the workers to verify information. These solutions can support the Exchange in managing the verification supporting documents and the point in time verification process. We would suggest that these current capabilities be leveraged to support the Plan Management, appeals and other components of the ACA Exchange that will be required. Like the call center above, we would recommend the State consider a consolidation strategy (a single document management solution) as part of its analysis of how to support the additional ACA Exchange requirements for document management.

Our meeting with stakeholders did not identify any technical solutions that would be a ready-made solution for Arizona's plan management. A number of national vendors have reached out to Don Hughes in the Arizona Governor's Office, to identify options and solutions their companies offer. While we have not completed a detailed review of these options, we did conduct a high-level review and included summary notes in **Appendix D**. Arizona will need to complete additional analysis of its options in filling this gap after selecting the Option below that best meets Arizona's ACA Exchange needs.

As described above, these tasks will need to be performed by the State regardless of which option the State pursues.

IMPACT OF CONSUMER AND EMPLOYEE CHANNELS AND USER ROLES

Beyond the common changes described above that Arizona must do to ready its technological support to engage with and support the ACA Exchange, each option will need to incorporate all of the consumer access channels (illustrated below) to allow consumers to apply for services through the ACA Exchange. Some of these channels currently exist in Arizona and some will need to be developed to support easier and convenient access and broader outreach for the ACA Exchange solution. Each of these channels will play a critical role in helping consumers apply for the benefits supported by the ACA Exchange. However, supporting these channels will also have sizable impact on the design, development and operation of the ACA Exchange. Supporting some of these channels would require new functions and features, or modifications to existing functions or features. Some of these channels would also require the State to develop new security and access protocols. The State will need to include the support for these channels in the SME sessions and design discussions for the ACA Exchange features so that appropriate changes can be made. Some of these channels such as Interactive Voice Response (IVR) and Call Centers will have operational impact on the State and the State will need to take appropriate measures to maintain these channels.



Descriptions for each of these channels are summarized below.

Health-e-Arizona (Connect2Coverage Version): Health-e-Arizona is a sophisticated web based application that allows consumers to apply for a broad range of public and private benefits through an easy to use, guided and universal online application. Health-e-Arizona has been operational in Arizona for more than 8 years and has allowed hundreds of thousands consumers to complete applications using a self-service channel. Health-e-Arizona also allows community assistors and other persons who help the consumers to apply on their behalf. Health-e-Arizona provided the platform upon which Connect2Coveragewas developed. Connect2Coverage includes features and technology solutions required by Section 1561 of ACA and subsequent Federal guidance issued for developing Exchanges. The Connect2Coverage version of Health-e-Arizona will allow consumers to apply for the programs supported in the ACA Exchange as well as other programs that are currently operated in Arizona.

Community Assistor: Community Assistors support consumers to identify and apply for benefits for which they may be eligible. Community Assistors work at various locations such as Federally Qualified Health Centers, Community-Based Organizations, Schools, Outreach Events and others and are skilled in using systems (such as Health-e-Arizona) or other application process (such as filling in paper applications) to help the consumers to apply. Community Assistors will continue to be a valuable channel for consumers who need help in applying.

Navigator: Navigators support and guide consumers in applying for private health insurance by using a system (such as Conenct2Coverage) or a paper application process. Navigators will act as helpful channels for consumers who need assistance and guidance in applying for private health insurance.

Mail-In Paper Application: Although there are several electronic channels in Arizona that allow consumers to apply for benefits, a consumer can also fill in paper applications for various programs and mail them in to the specific agencies such as DES or AHCCCS. Once the paper applications are received

by agency eligibility workers, they process the applications. Mail-In Paper Applications will continue as one of the channels that the consumers can use to apply.

AHCCCS Eligibility Worker: AHCCCS Eligibility Workers process applications in ACE (AHCCCS's eligibility system for KidsCare, SSI MAO, ALTCS and Medicare Cost Sharing programs) and are trained to determine eligibility. Consumers can mail paper applications to AHCCCS, complete the application by phone with assistance from eligibility workers, or walk into AHCCCS to get help by an Eligibility Worker. AHCCCS Eligibility Workers will continue to be the channel for the consumers who seek help at AHCCCS to apply for benefits.

DES Eligibility Worker: DES Eligibility Workers process applications in AZTECS (DES' eligibility system for Medicaid, SNAP, TANF and other programs) and determine eligibility. Consumers can mail in paper applications to DES, use the DES Interactive Voice Response (IVR) system or walk into DES to get help from an Eligibility Worker. DES Eligibility Workers will continue to be the channel for consumers who seek help at DES to apply for benefits.

Interactive Voice Response (IVR): IVR is a technology that allows a consumer to interact with a system through voice response and keypad entries using a phone. Consumers can call a number to have automated guidance provided by the IVR system and follow the instructions to provide their information. Consumers can either speak their response to a question asked by the IVR system or provide the response by using a specific key on the phone. IVR will be a great option for the ACA Exchange to allow consumers to apply during off business hours as well as will reduce the amount of staff needed to help the consumers during business hours.

Small Devices: The use of Small Devices (PDA phones, tablets and more) has been increasing day by day and many consumers now have access to these devices. Small Devices allow consumers to access information and services more easily and conveniently than using a computer and at the same time expand the horizon for systems and services to reach to the consumers. The ACA Exchange will need to allow consumers to apply using their small devices.

Call Centers: Both DES and AHCCCS operate sophisticated call centers with skilled staff. Call Center staff help consumers get information they need about programs and services as well as route them to appropriate persons or systems that can help them apply for benefits. They will serve as useful channels for consumers who need help in applying.

Federal Call Center: The Federal Exchange will need to operate a federal call center that will provide help to consumers in getting information about programs and services offered by the exchange as well as routing them to systems or persons who can help them apply.

Employer: Employers will need to either select the plans for their employees or provide help to their employees to select plans for themselves. Employers will serve as channels for their employees on the plans that the ACA Exchange will offer.

Broker or Agent: A Broker or an Agent is someone who works with either the employers or their employees, or individuals on one-on-one basis to help them understand the plan options that are available and help them select a plan for themselves or their employees. Brokers and Agents will serve as useful channels for employers and employees who need help in selecting plans.

State Portal: The State Portal will serve as a channel that will provide useful information to the consumers about benefits that are available to them and will also route them to either the Federal or State Exchange for applying for benefits.

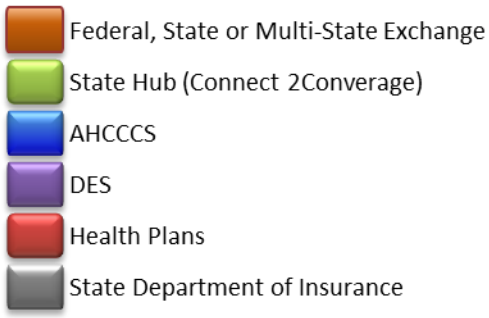
OPTIONS FOR THE ACA EXCHANGE IMPLEMENTATION

The following section contains detailed descriptions for each of the five options below:

Option 1 – Adopt or Default to the Federal Exchange
Option 2 – Join a Multi-State Solution
Option 3 – Leverage Existing State Systems and Fill Gaps with New Development
Option 4 – Leverage Existing State Systems and Fill Gaps by Borrowing
Option 5 – Build a Solution from Scratch

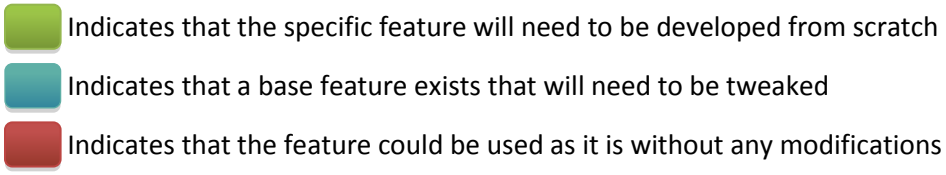
A brief description will introduce each Option, followed by a conceptual schematic and a business architecture diagram for the specific Option.

Color codes for conceptual schematics:



Tasks that need to be accomplished to utilize the Option are in diagrams following the schematics.

Color codes indicate the level of effort required to complete the tasks using the key below.



OPTION 1 -USE THE FEDERAL EXCHANGE

This subsection will describe Option 1: Adopt or Default to the Federal Exchange. A brief description will introduce the Option, followed by a conceptual schematic and business architecture diagram for this option. Tasks that that need to be accomplished to utilize the Option 1 are in diagrams following the schematics and are color coded to indicate the amount of work to be done as described above.

Option 1 requires that consumers access the Federal Exchange directly, or be routed to the Federal Exchange by any of the channels illustrated above in Diagram 1. Adopting the Federal Exchange is dependent upon whether the Federal Exchange will be completed by the 2014 deadline required by ACA. In addition, it is unknown how flexible the Federal Exchange will be in terms of implementing individual States' eligibility requirements and other state programs. The Federal Exchange will perform all the required Exchange activities including:

- Identity Resolution
- Creating and Managing User Accounts
- Automated Verification with Federal Hub
- Automated Verification with State Systems
- New Application Process
- Recertification and Change in Circumstance Process
- Execution of MAGI Eligibility Rules
- Screening for Traditional Medicaid and Other State Programs for Arizona
- Point in Time Verifications
- Determining Premium Amounts
- Determining Health Plan Eligibility
- Providing Plan Comparison and Selection
- Tracking Health Plan Enrollment and Disenrollment
- Performing Quality Rating
- Support for Application Process for Exemption
- Support for Eligibility Appeal Process
- Supporting Risk Assessment and Transitional Reinsurance
- Performing Cost Sharing Reduction Administration
- Support for Education and Outreach
- Operating the Federal Call Center
- Development of Reports
- Other activities as Required

A **State Hub** will need to be developed using a Service Oriented Architecture (SOA) and an Enterprise Service Bus (ESB) to provide a robust and flexible broker between the Federal Exchange and the State

systems. Since Health-e-Arizona already operates on such a technology platform, SIS recommends that the State leverage Health-e-Arizona's assets for the State Hub as opposed to building from scratch. The State Hub will also need to leverage Health-e-Arizona's front end and rules engine for gathering additional data elements that are required to determine eligibility for State programs.

AHCCCS systems will also require modifications to integrate with the State Hub; modifications to TIPS, PMMIS, and ACE; Call Center enhancements; and other functions. Tasks are illustrated in Diagram 5 below.

DES tasks include upgrades and modifications to AZTECS; modernizing AZTECS front end; modifications to integrate with the State Hub; modifications to make TIPS interface processes real-time; Call Center enhancements; and other functions. State Hub Tasks are illustrated Diagram 4 below.

NEXT PAGE

Diagram 2: Conceptual Diagram for Option 1 – Adopt or Default to the Federal Exchange

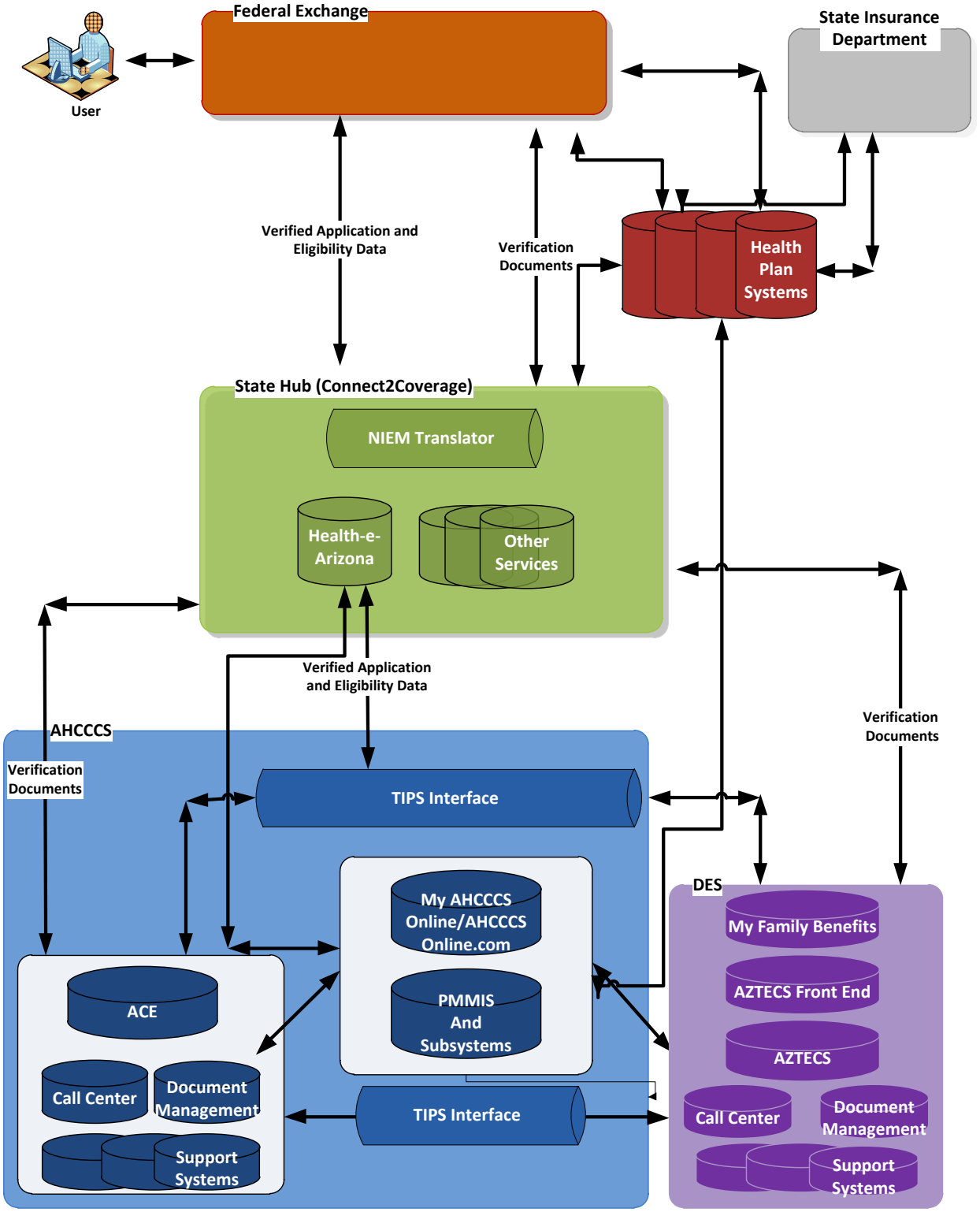


Diagram 3: Business Architecture Diagram for Option 1 –Adopt or Default to the Federal Exchange

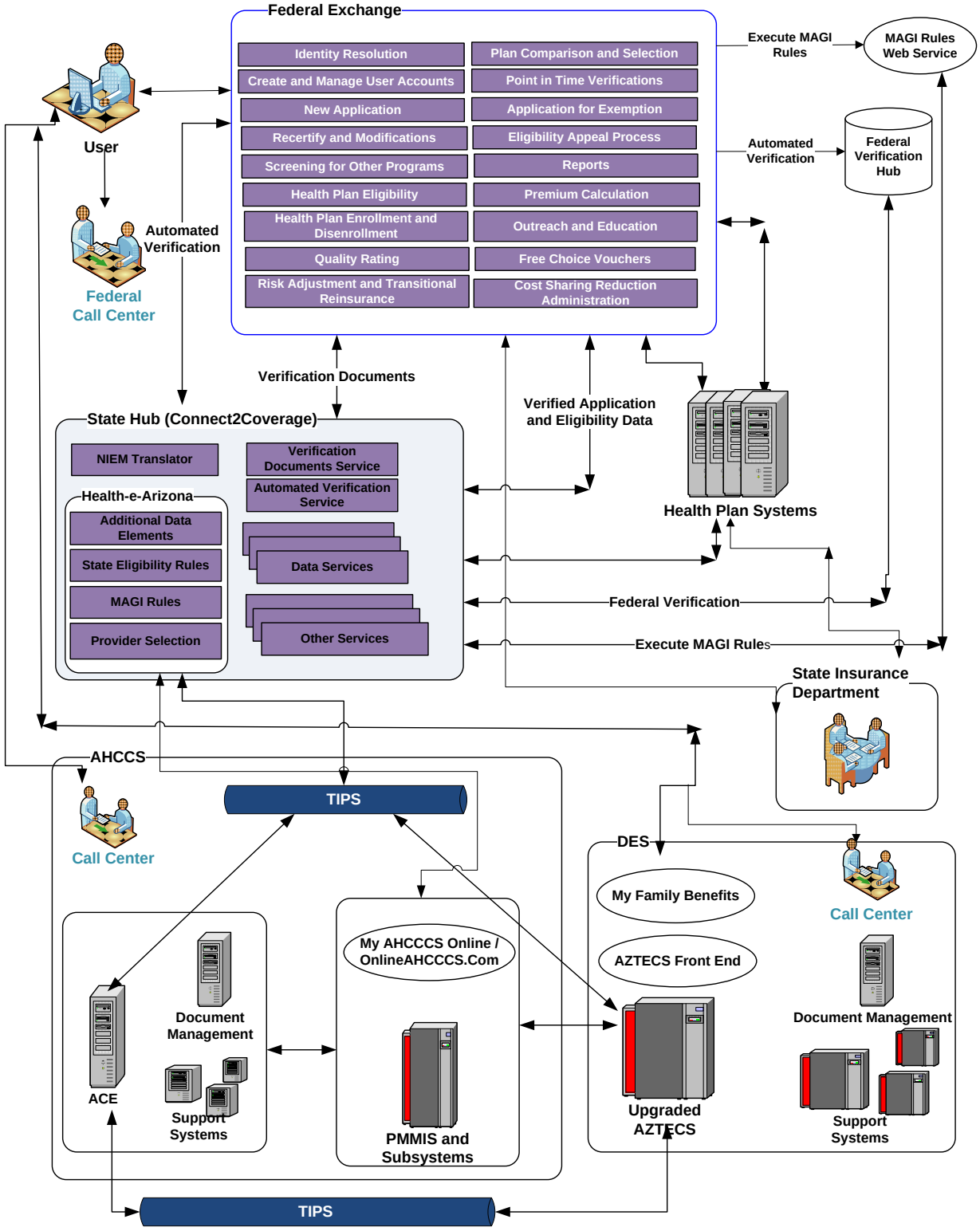


Diagram 4: Option 1 State Hub Tasks

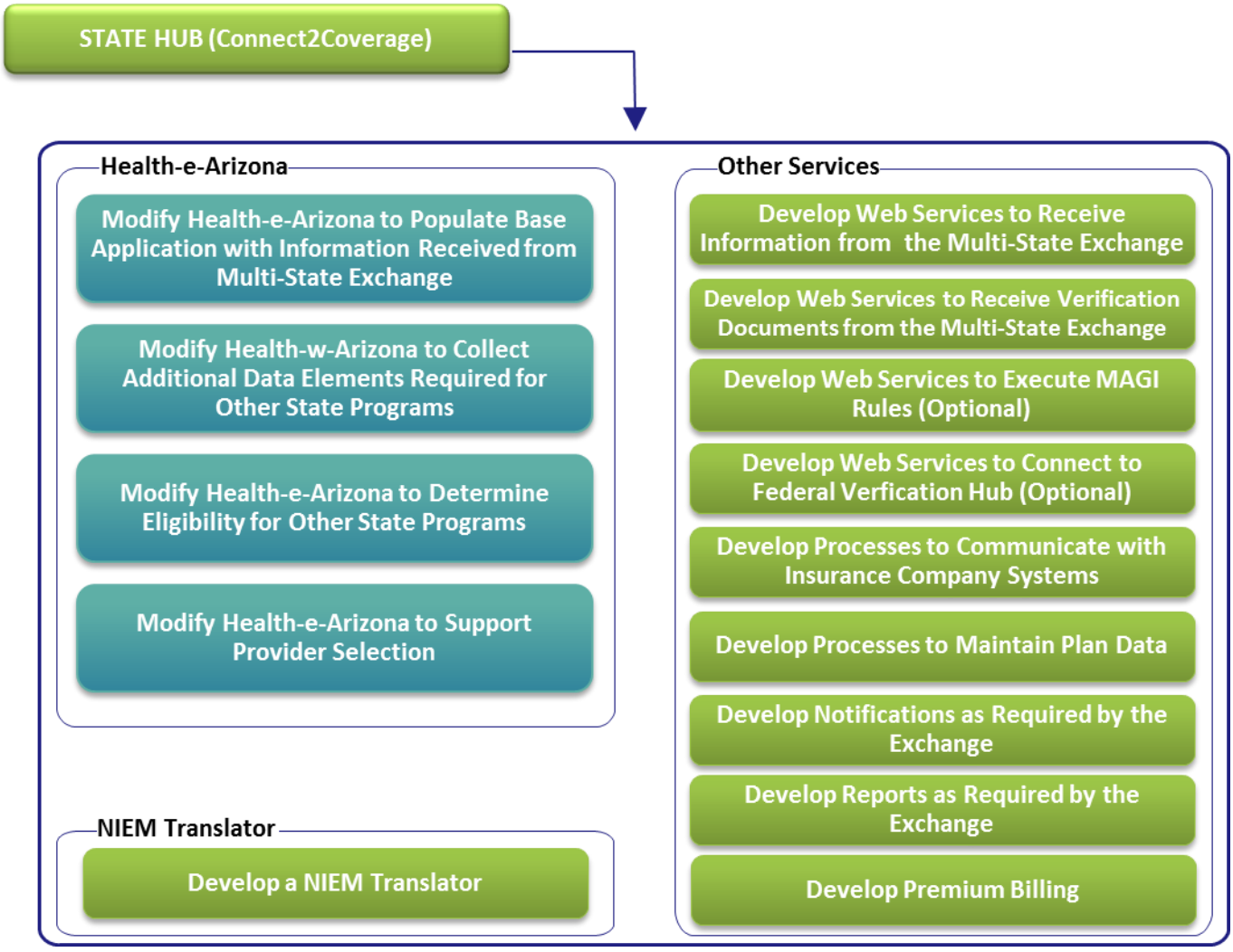


Diagram 5: Option 1 AHCCCS Tasks

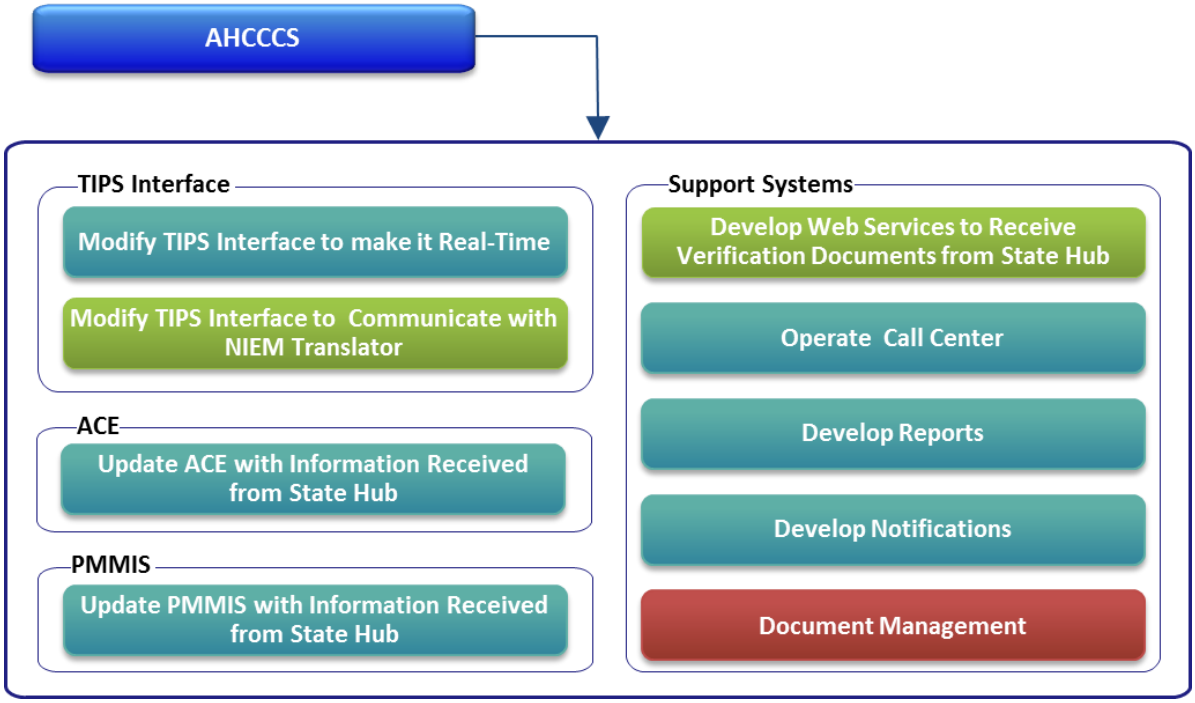
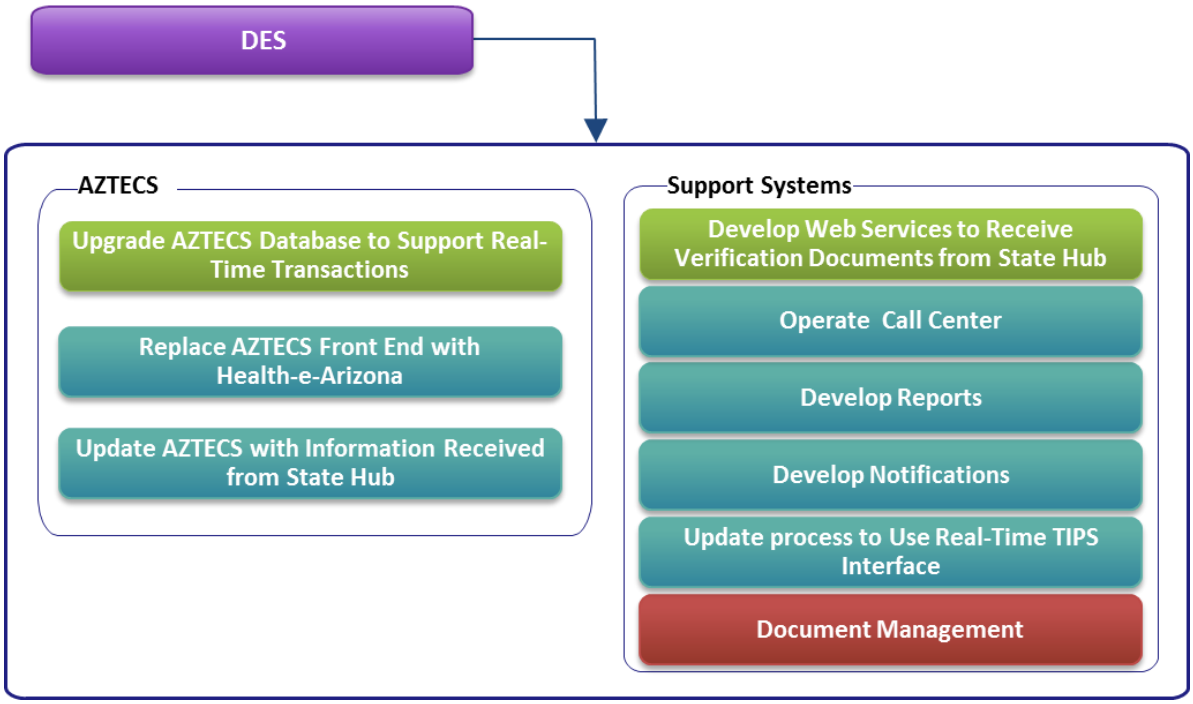


Diagram 6: Option 1 DES Tasks



Option 1 has the advantage of leveraging the Federal Exchange which, by default, will meet ACA requirements and Federal Guidance. On the surface Option 1 appears to be a cost-effective solution. However, several drawbacks need to be considered: a significant amount of state work will still need to be undertaken to build the State Hub to interface to the Federal Exchange; adopting the Federal Exchange is dependent upon whether it will be completed by the 2014 deadline required by ACA; it is unknown how flexible the Federal Exchange will be in terms of implementing individual States' eligibility requirements and other state programs; it is unknown whether the 90/10 funding for Medicaid infrastructure enhancements will be available to states who adopt the Federal Exchange.

OPTION 2 – JOIN A MULTI-STATE SOLUTION

This section will describe Option 2: Join a Multi-State Solution. A brief description will introduce the Option, followed by a conceptual schematic and a business architecture diagram that describes for this option. Tasks that that need to be accomplished to utilize the Option 2 are in diagrams following the schematics and are color coded to indicate the amount of work to be done as described above.

In Option 2, Arizona would join with another state or states in a Multi-State Exchange solution. This solution is similar to Option 1, but the Multi-State Exchange would replace the Federal Exchange. All the Exchange features that are described above for the Federal Exchange will be performed by the Multi-State Exchange. The State will still need to develop a State Hub with all the features that are described above. The State Hub will act as a broker between the Multi-State Exchange and the State systems.

Tasks have additional layers of participating in the process of a Multi-State solution.

Diagram 7: Conceptual Diagram for Option 2 –Join a Multi-State Exchange Solution

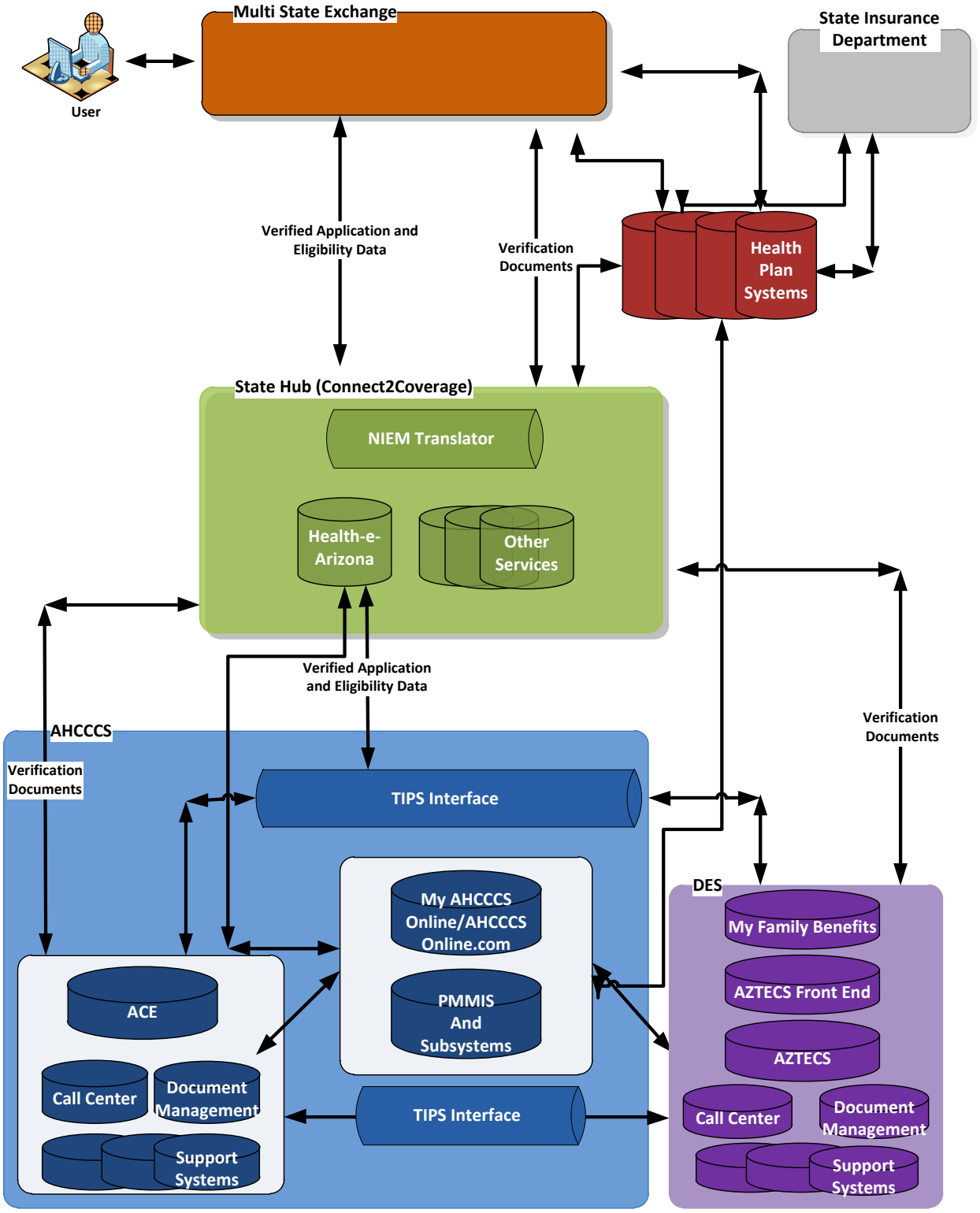


Diagram 8: Business Architecture for Option 2 - Join a Multi-State Exchange Solution

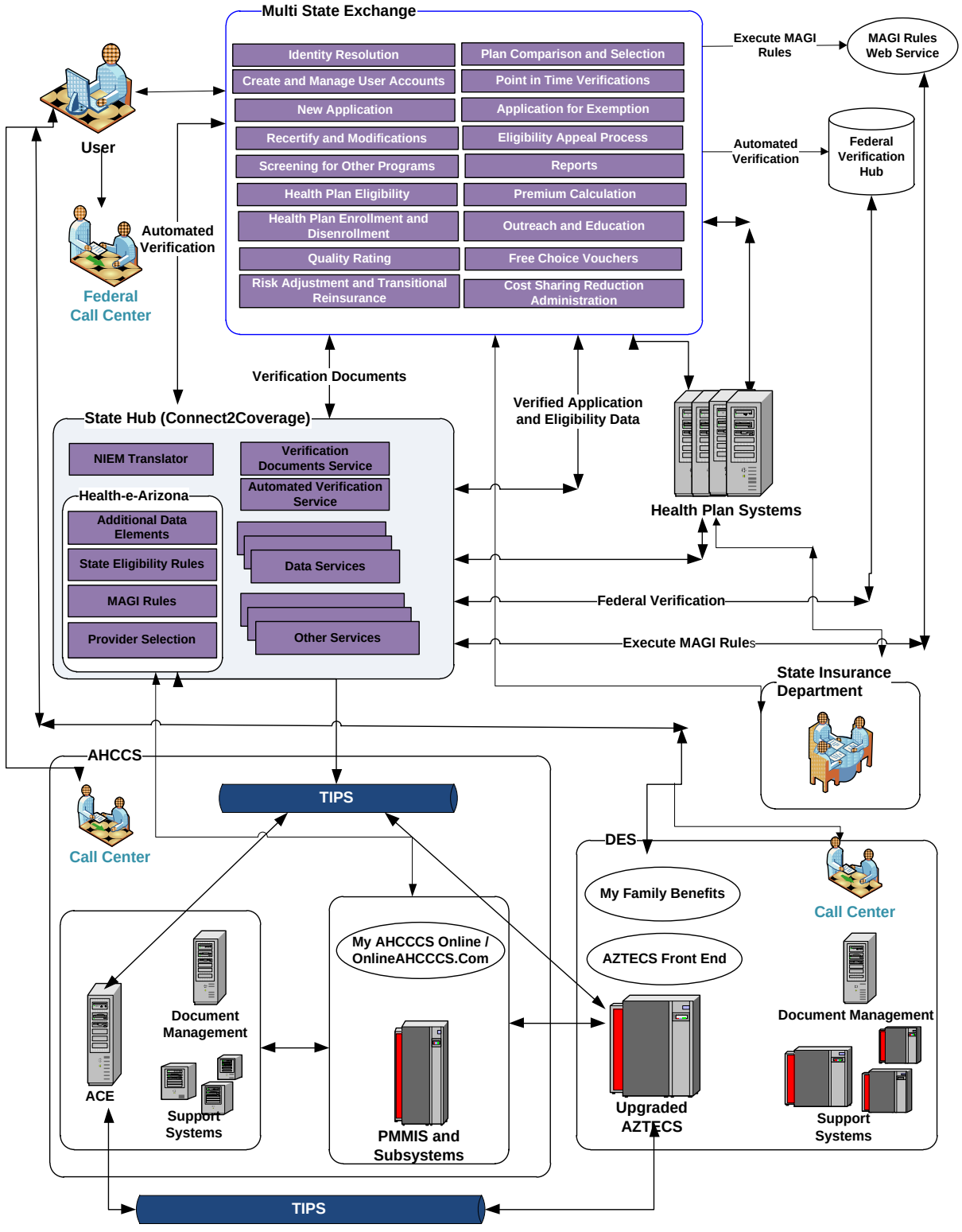


Diagram 9: Option 2 State Hub Tasks

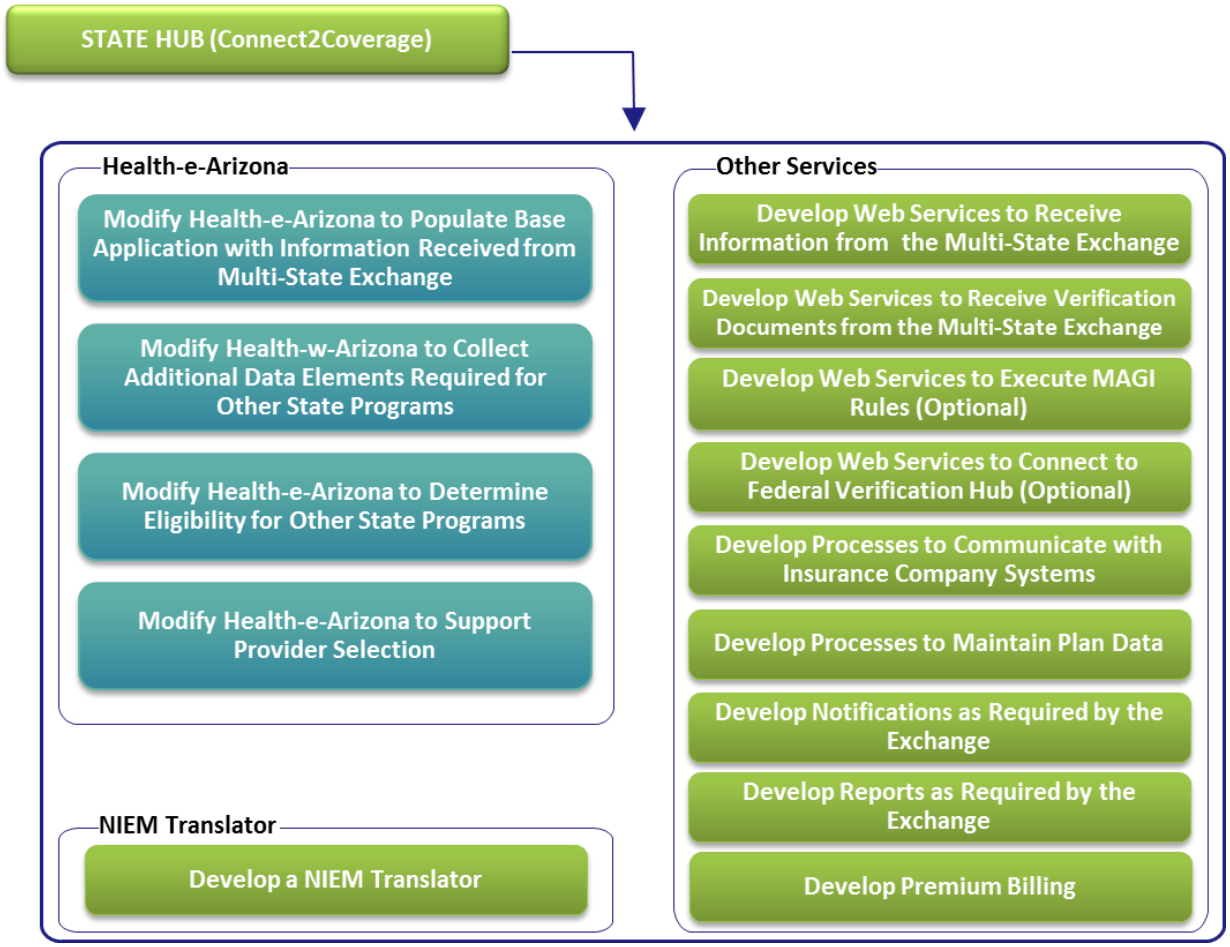


Diagram 10: Option 2 AHCCCS Tasks

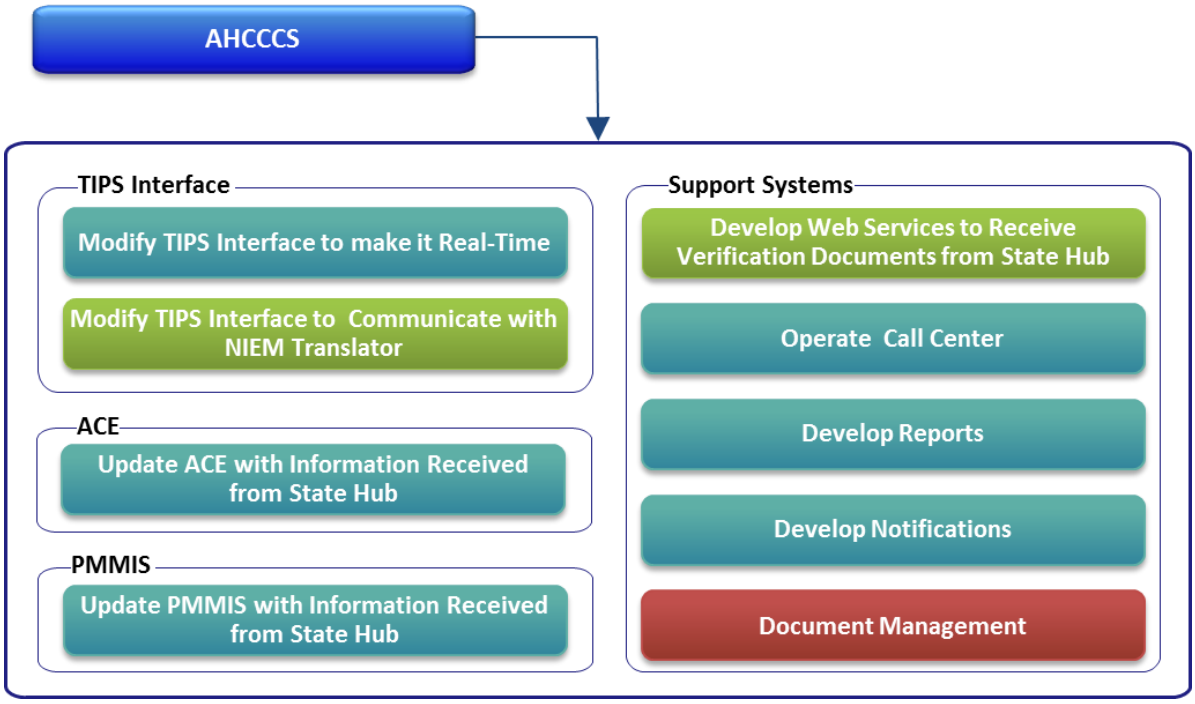
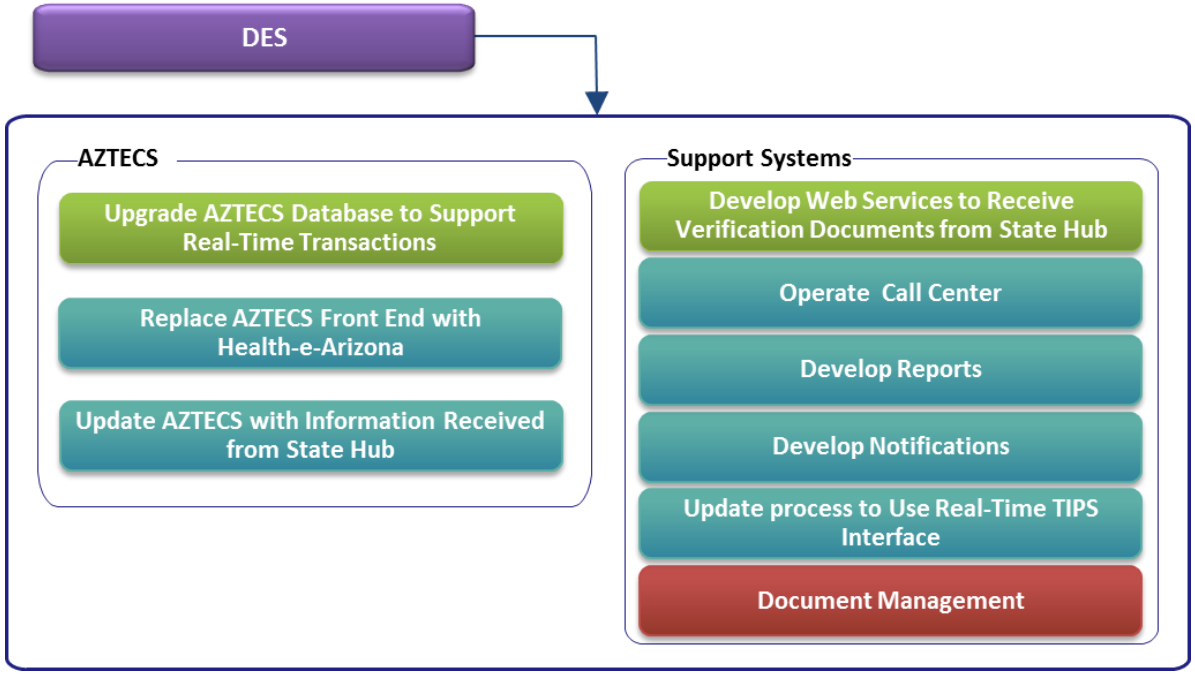


Diagram 11: Option 2 DES Tasks



Option 2 will not give the State much control or flexibility, and would likely involve a lengthy and cumbersome process to obtain agreement on all requirements from participating States. The progress on this Exchange solution would only be as fast as the slowest State in the consortium.

OPTION 3 – LEVERAGE EXISTING STATE SYSTEMS AND FILL GAPS WITH NEW DEVELOPMENT

This section will describe Option 3: Leverage Existing State Systems and Fill Gaps with New Development. A brief description will introduce the Option, followed by a conceptual schematic (a conceptual diagram) and a business architecture diagram for this option. Tasks that need to be accomplished to utilize Option 3 are in diagrams following the schematics and are color coded to indicate the amount of work to be done as described above.

In Option 3, Arizona would develop an ACA Exchange by leveraging existing State systems and other assets and filling gaps with new development. Consumers will either access the State Exchange directly, or will be routed to the State Exchange by any of the channels illustrated above in Diagram 1. The State Exchange will perform all the required Exchange activities including:

- Identity Resolution
- Create and Manage User Accounts
- Automated Verification with Federal Hub
- Automated Verification with State Systems
- New Application Process
- Recertification and Change in Circumstance Process
- Execute MAGI Eligibility Rules
- Determine Preliminary Eligibility for Traditional Medicaid and Other Programs for Arizona
- Point in Time Verifications
- Provider Selection
- Determine Premium Amounts
- Determine Health Plan Eligibility
- Provide Plan Comparison and Selection
- Track Health Plan Enrollment and Disenrollment
- Perform Quality Rating
- Support Application Process for Exemption
- Support Eligibility Appeal Process
- Support Risk Assessment and Transitional Reinsurance
- Perform Cost Sharing Reduction Administration
- Support Education and Outreach
- Operate State Call Center

- Develop Reports
- Develop NIEM Translator
- Provide Required Data to HHS
- Connect with the Federal Exchange or Portal
- Other activities as Required

The State Exchange will communicate with the State and other systems. Each State agency (AHCCCS, DES, Health Plans and State Insurance Department) will need to modify their systems and processes to connect to the State Exchange. This option provides the maximum control and flexibility to meet Arizona's needs and offers the opportunity for Arizona to modernize its legacy systems.

Diagram 12: Conceptual Diagram for Option 3 – Leverage Existing State Systems and Fill Gaps with New Development

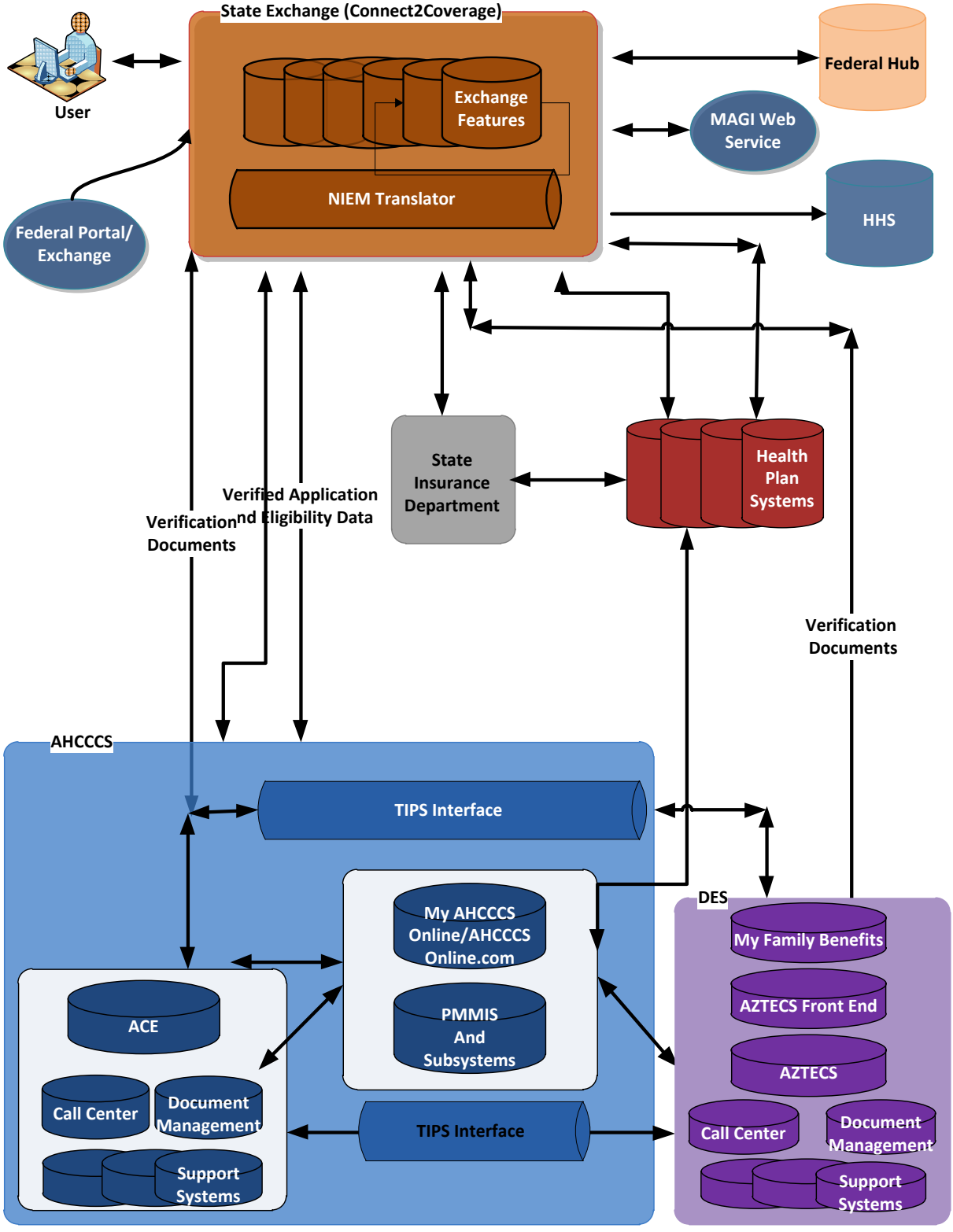


Diagram 13: Business Architecture for Option 3 – Leverage Existing State Systems and Fill Gaps with New Development Architectural view

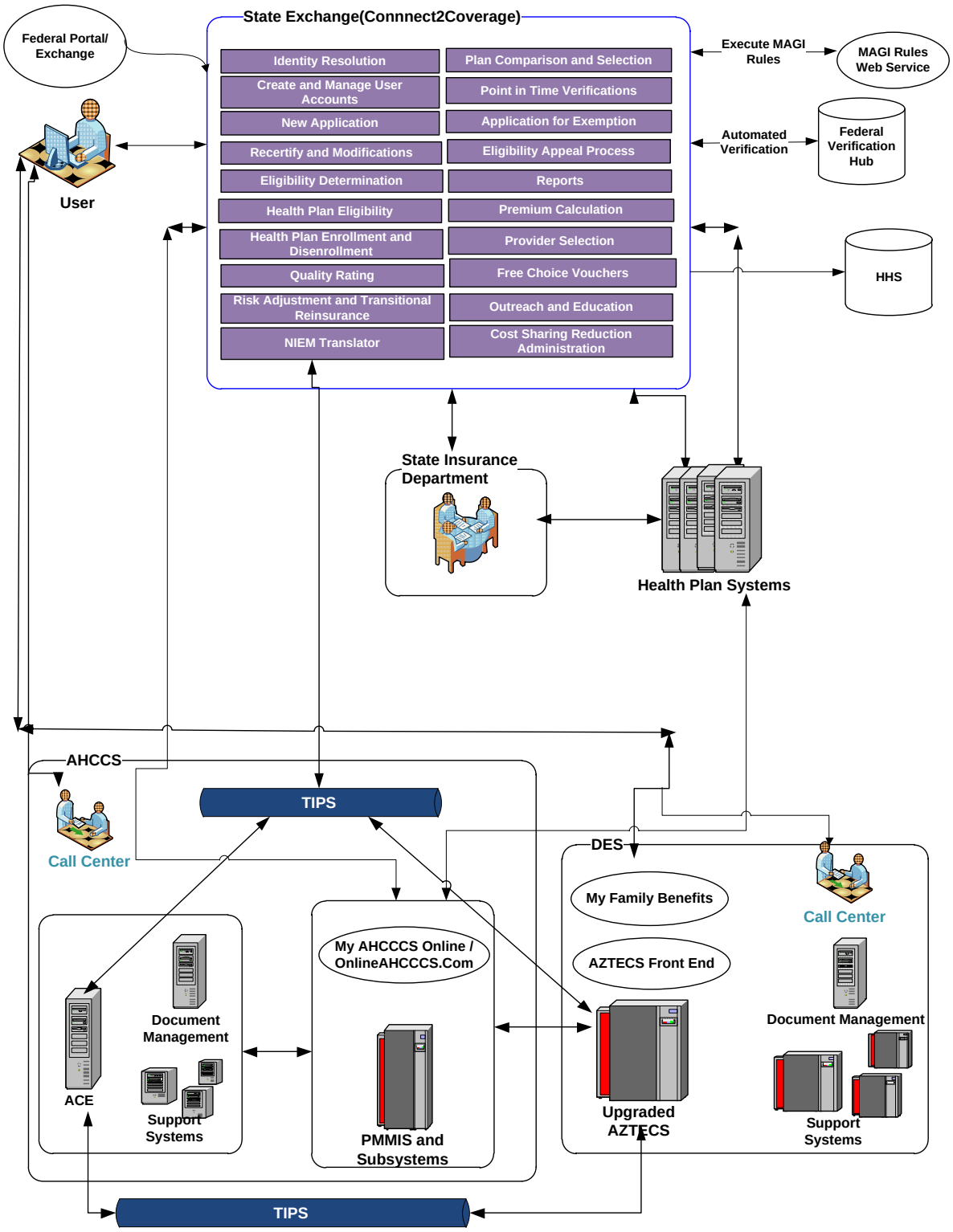


Diagram 14: Option 3 State Exchange High Level Tasks

Diagram 15: Option 3 AHCCCS Tasks

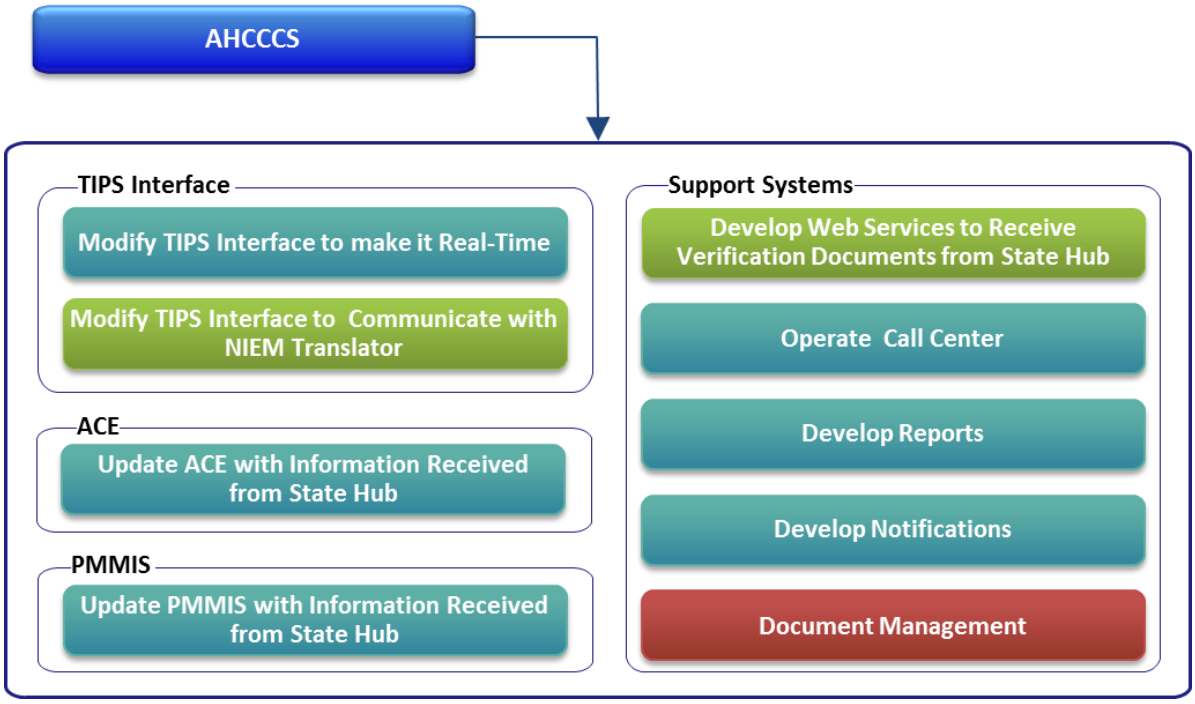
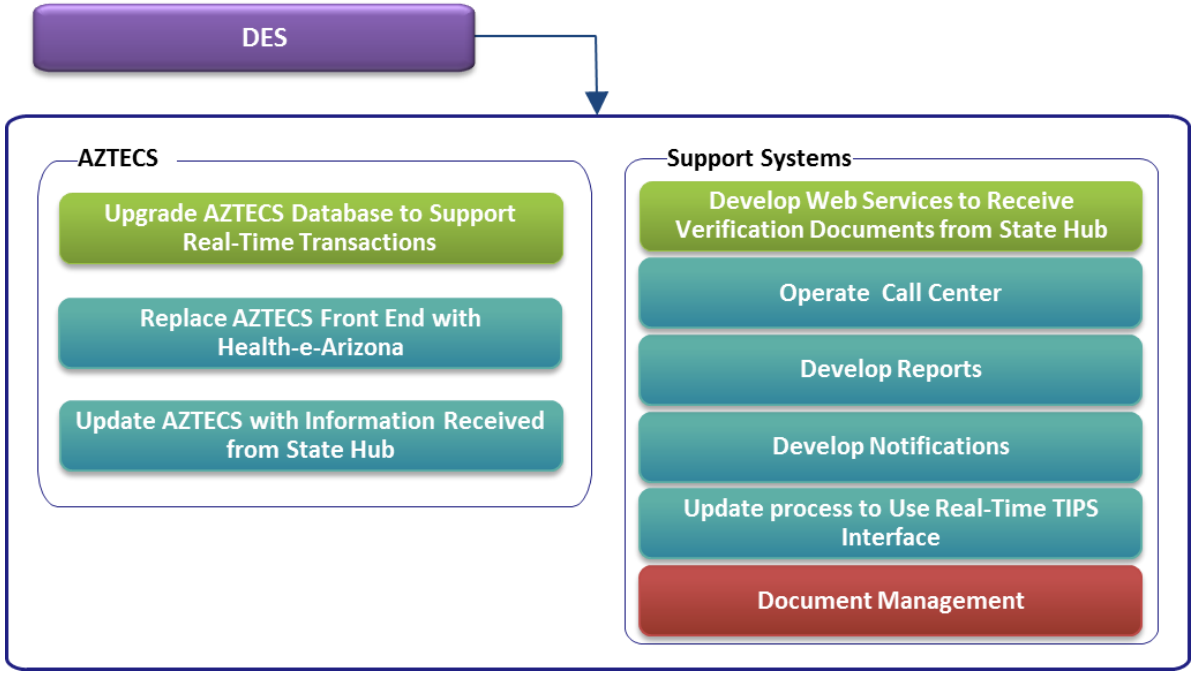


Diagram 16: Option 3 DES Tasks



Option 3 has the potential to meet Arizona's needs and leverages the Arizona infrastructure in a way that will modernize legacy systems and improve both staff and consumer experience. However, a considerable amount of work will be required since each State agency (AHCCCS, DES and Insurance Department) will need to modify its systems and processes to connect to the State Exchange. Option 3 also allows Arizona to benefit from Federal funding opportunities to build and enhance State information systems.

OPTION 4 – LEVERAGE EXISTING STATE SYSTEMS AND FILL GAPS BY BORROWING

This section will describe Option 4: Leverage Existing State Systems and Fill Gaps by Borrowing. A brief description will introduce the Option, followed by a conceptual schematic and a business architecture diagram for this option. Tasks that that need to be accomplished to utilize Option 4 are in diagrams following the schematics and are color coded to indicate the amount of work to be done as described above.

Under Option 4, the State would have to evaluate Exchange solutions developed by other States to determine which solution to adapt. The other State Exchange will then need to be plugged into the Arizona's hosting environment. Additional features and services specific to Arizona will need to be developed. This adapted Exchange will have to perform all of the activities that are listed for the State Exchange under Option 3.

The adapted Exchange will communicate with the State and other systems. Each Arizona agency (AHCCCS, DES, Health Plans and State Insurance Department) will need to modify their systems and processes to connect to the adapted Exchange. This option becomes even more challenging because of having to rely on the adapted solution being able to meet the timeline and other unknown factors. This solution is likely to be more expensive since Arizona will need to work with adapted solution vendor to implement customized features and programs.

In addition to similar tasks described above, this solution would inherit features from another state. Arizona will need to identify and establish a new hosting environment. Once the base Exchange is set up, Arizona will need to identify the gaps in the base features for accommodating Arizona specific programs and features and work with the vendor to finalize the enhancement process and cost to fill the gaps.

Diagram 17: Conceptual Diagram for Option 4 – Leverage Existing State Systems and Fill Gaps by Borrowing

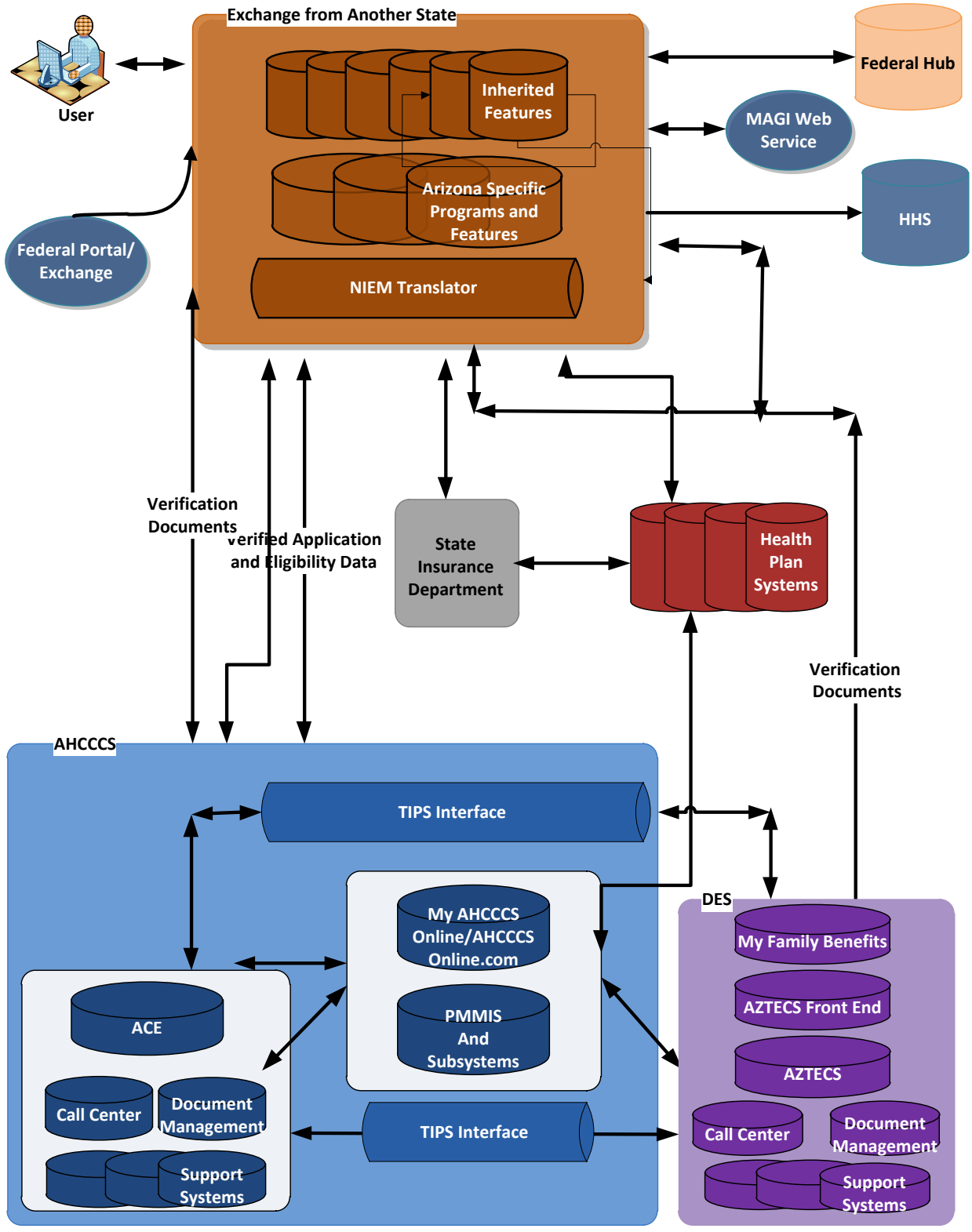


Diagram 18: Business Architecture for Option 4 –Leverage State Systems and Fill Gaps by Borrowing Architectural View

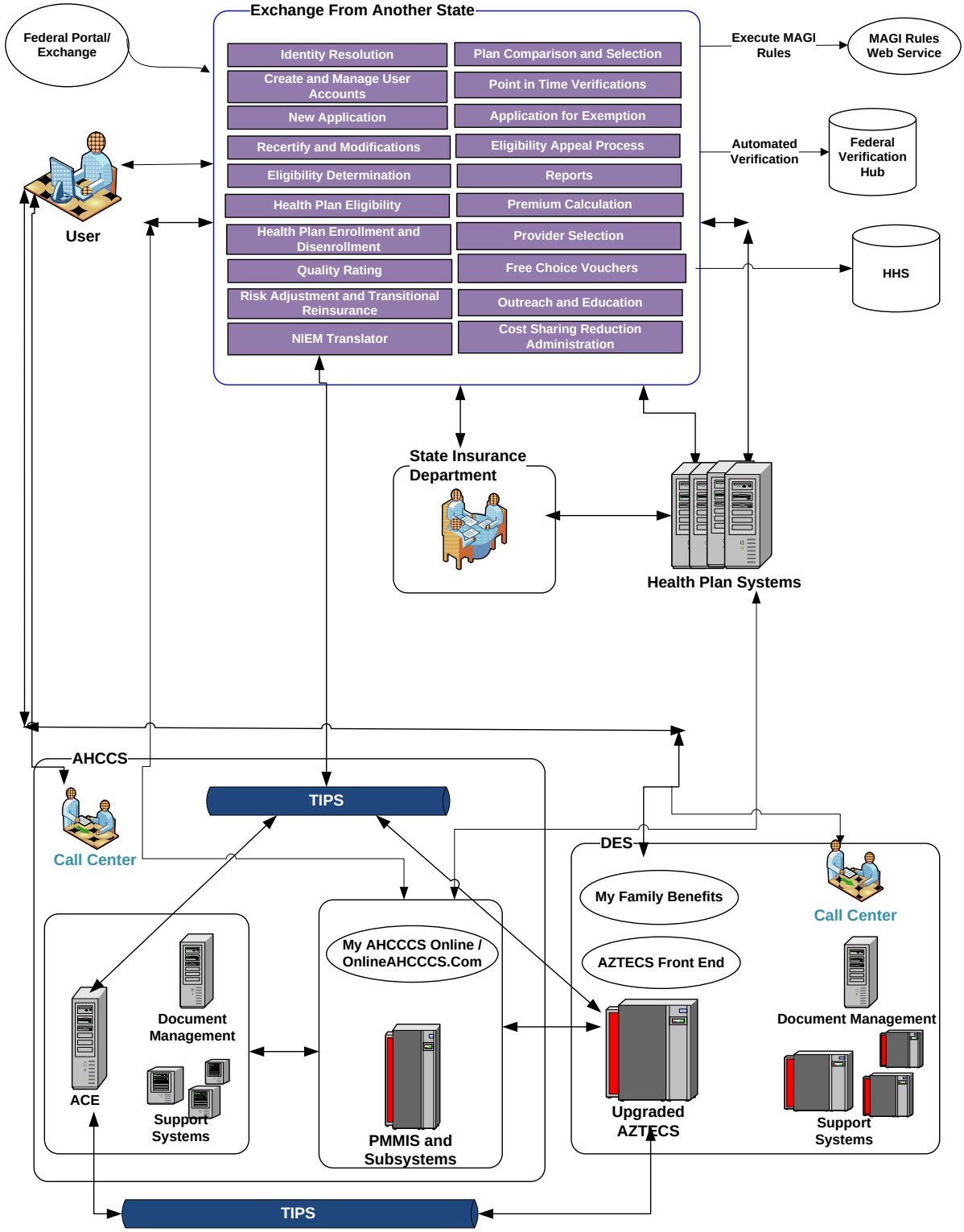


Diagram 19: Option 4 High Level Tasks

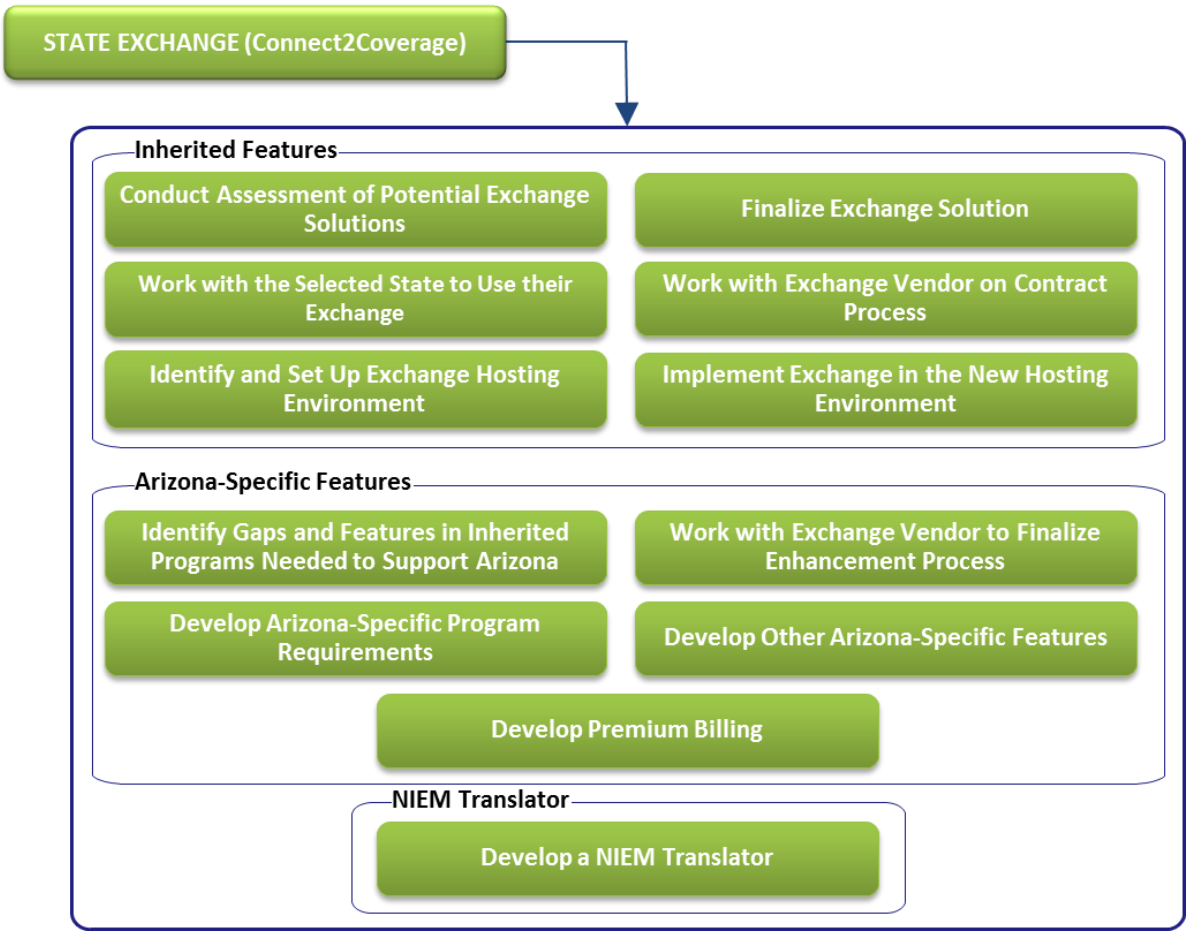


Diagram 20: Option 4 AHCCCS Tasks

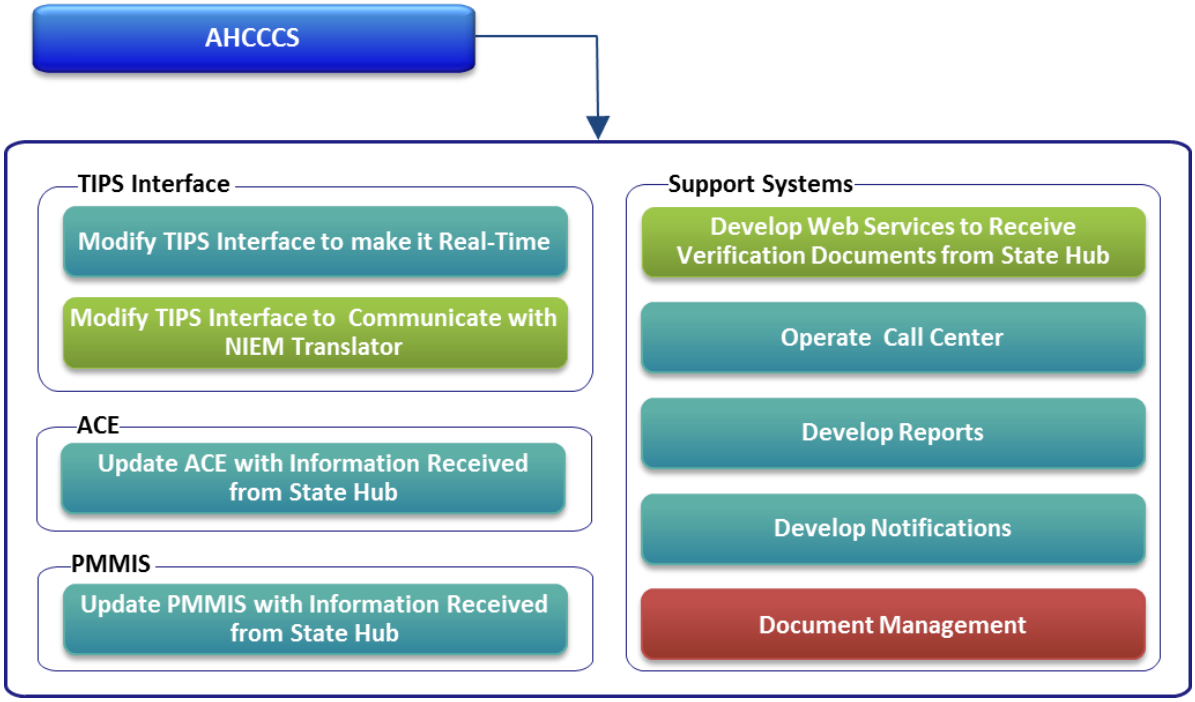
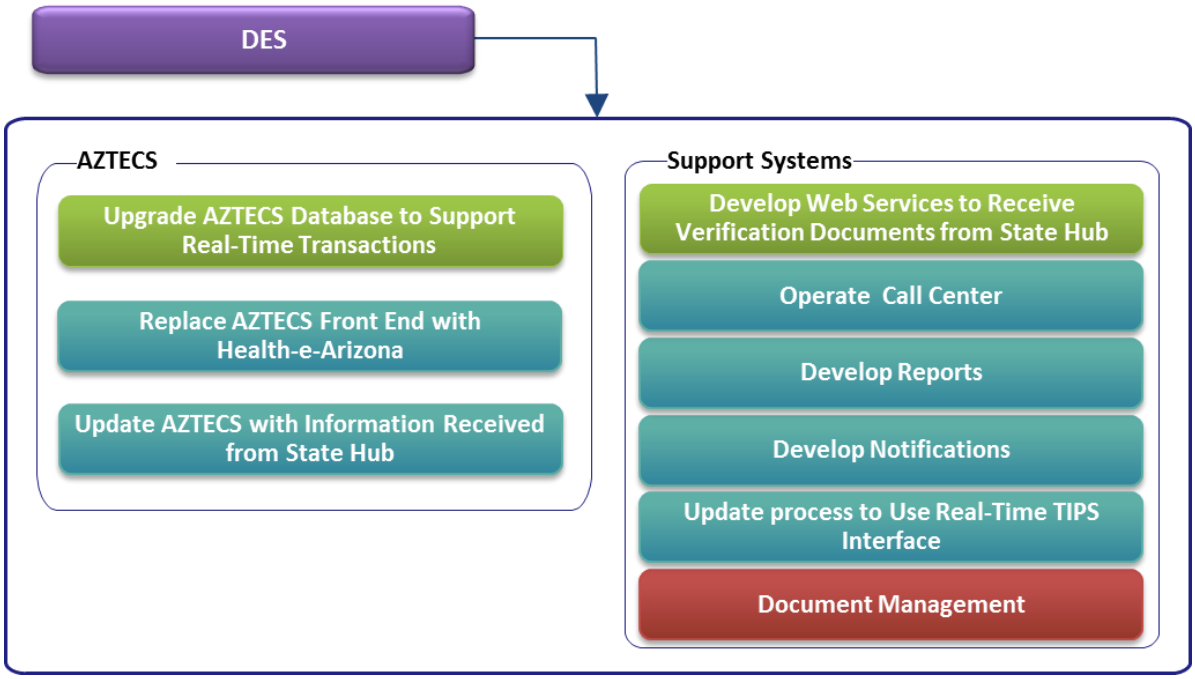


Diagram 21: Option 4 DES Tasks



Option 4 initially seemed as though it might hold some advantages because Arizona could benefit from another State's investment in developing an ACA Exchange. However, Option 4 adds several additional layers of complexity and risk by having to: assess and identify an appropriate other state solution; negotiate a contractual relationship with the other state; assure that Arizona-specific needs and requirements will be met; incur additional costs by having to work with another state's vendor and set up a hosting environment; build a State Hub to connect to the Other State Exchange.

OPTION 5 – BUILD A SOLUTION FROM SCRATCH

Option 5 requires the State to build the entire Exchange from scratch. All Arizona state systems (Health-e-Arizona, AZTECS, ACE, PMMIS and their subsystems) would be replaced with new systems. The solution would be similar to Option 3, but without gaining the cost benefit of leveraging existing systems. This solution will be the most expensive and time consuming solution for the State. Discussions with State leadership confirmed that this solution is not viable and will not be pursued. Therefore, SIS did not develop diagrams and descriptions for Option 5.

CONCLUSION

In summary, four of the five options were presented with details, schematics, and diagrams for common and specific Option tasks. State leadership has indicated that Option 1: Using the Federal Exchange, and Option 3: Leverage Arizona Systems and Fill Gaps with New Development, appear to be the most viable. Significant work will be required no matter which option is selected. Option 3 has the advantage of being able to leverage and modernize Arizona's legacy systems, giving the State more control over timelines, meeting Arizona eligibility requirements and Arizona program needs. The following sections provide analysis of the resources, work plans, timelines, costs, and risks for each option.

SECTION VII: RESOURCE AND REQUIREMENTS ANALYSIS

In this section of the report, we identify the high-level steps needed to carry out each option with the goal of gauging the resources and requirements for each option. For the two options that Arizona Leadership has identified as the most promising (Option 1: Adopt or Default to the Federal Exchange and Option 3: Leverage Existing Arizona Systems and Filling the Gaps with New Development), we have provided more detailed steps, which are included in a work plan format. The work plan format was developed in a manner consistent with guidance provided in association with the CCIIO Exchange Establishment Grants. While the information provided herein will need to be updated to reflect Arizona's decisions regarding options and information, our goal is to jump start the grant development process, if possible.

The previous section described five possible options for Arizona to consider in meeting the requirements of an ACA Exchange for Arizona. They included:

Option 1: Adopt or Default to the Federal Exchange
Option 2: Join and Multi-State Solution
Option 3: Leverage Existing Arizona Systems and Fill Gaps with New Development
Option 4: Leverage Existing Arizona Systems and Fill Gaps by Borrowing
Option 5: Build from Scratch (commonly referred to as "Rip and Replace")

Each of these options requires a very different work plan. We developed a high-level work plan for each option and included them in **Appendix B**. The work plans are based on our experiences in system development and our experience in working with Arizona. The staffing resources are estimates and would need to be refined by the State and by the vendors that the State selects to support their work. The estimates should serve as a benchmark for the State as they evaluate future information.

There are many unknowns for each of these options. For example, regarding Option 1, little is known about what the Federal government will do to support and fund states that decide to use this option. Likewise, for Option 2, we are aware that Utah is actively trying to establish a multi-state exchange and has informed Arizona of its intentions, however little is known about any other multi-state options. There are similar questions related to the other options.

A summary of the high level steps and the associated staffing requirements follows for each of these options. For each option, we will highlight the assumptions or areas where more information or guidance is required.

OPTION 1: ADOPT OR DEFAULT TO THE FEDERAL EXCHANGE

OPTION 1: RESOURCE OVERVIEW

We provide this summary with the caveat that we know the least about this particular option as compared to the others; and there is significant speculation as to what it means to use the Federal Exchange and what the State might be expected to do under this option. Given these unknowns, we have assumed the Federal ACA Exchange will present and provide all of the consumer facing components of the ACA including such things as consumer mediation, education and choice, integration and the following:

- Call center
- Quality rating system
- Exchange website and premium calculator
- Eligibility determinations for Exchange participation, premium tax credits, and cost-sharing reductions
- Enrollment process for Health Insurance
- Applications and notices
- Individual responsibility determinations
- Premium tax credit and cost-sharing reduction administration
- Appeals of eligibility determinations
- Outreach and education
- Risk adjustment and transitional reinsurance
- SHOP Exchange-specific functions, including provider education, outreach, support and ability to update employee listings, etc.

We have also assumed for the purposes of this analysis that the federal government would handle these functions for the State of Arizona as well as the American Indian Tribes throughout the State so that there is seamless access throughout the entirety of Arizona geography.

The areas that are less clearly federal responsibilities, but will be required for the ACA Exchange include:

- Certification, recertification, and decertification of Qualified Arizona Health Plans
- Quality rating system of Arizona Health Plans and associated reporting
- Navigator Program to support Arizona consumers and small employers
- Seamless eligibility and enrollment process with Medicaid and other State health subsidy programs
- Enrollment process for Medicaid and CHIP
- Applications and notices for Medicaid and CHIP
- Appeals of eligibility determinations which are all going to be based on the fundamentals of Medicaid eligibility as the base

In addition to these areas, it is unclear how things will work if the federal government determines an Arizona resident eligible for Medicaid based on their calculation of the ACA rules. Is Arizona expected to accept this determination and put that respective "life" on Medicaid? Our assumption in the Option models and our work plan is that Arizona would want to validate the results and also assess the person's likely eligibility for traditional Medicaid coverage and other human service programs.

Another big area of consideration is the accountability and audit of enrollment associated with the federal determination of eligibility. Will the federal government hold Arizona harmless in this process so if it is later determined the person was NOT eligible for Medicaid or CHIP, costs incurred by Arizona would be recovered and the State would not be penalized?

OPTION 1: SUMMARY WORK PLAN

With the aforementioned considerations and assumptions in mind, we have prepared a draft work plan. The details of this plan are included in **Appendix B**. We have summarized the work plan here.

- ***Negotiate and Clarify with the Feds* –** Includes gaining clarity on the open items noted above as well as the timeline for completing the Federal ACA Exchange and the Federal Verification Data Hub. Once these items are clarified, an integration plan would be developed. This also includes identification of the systems with which Arizona would need to test integration capability.

- ***Determine the Financing Alternatives for this Option* –** It is not clear in review of the current financing vehicles (i.e., Exchange Establishment Grant or 90/10 Financing) whether any of them would cover this option. Federal financial participation in this option for the work the State must do must be clarified and well understood during the negotiations with the Feds.

- ***Identify and Secure Project Team* -** Based on the negotiations with the Feds, the State would need to identify the appropriate State staff in the appropriate State agencies and, if needed, augment with a vendor. If a vendor was required, there may be a procurement required to secure a vendor, unless an existing contract can be amended or vendor resources can be secured through the State Contract.

- ***Plan, Design, Develop, Test and Implement State to Fed Comprehensive Integration* –** Based on the negotiations with the Feds, the State would need to develop a comprehensive integration plan. This plan should leverage the existing capabilities, but would need to address:
  - Submission of Approved Health Plans to the Feds (minimally, verify State's certification of the Health Plan for Arizona)
  - Ability to provide quality rating system on Arizona Health Plans
  - Ability for the Feds to query to determine if the applicant applying, modifying or renewing on the Federal ACA Exchange is known to Arizona Medicaid and/or CHIP Programs and current status of enrollment
  - Ability to receive eligible Medicaid and CHIP lives from the Feds
  - Ability to notify Feds of a person's loss of coverage in Arizona for reasons such as moving out of State, lack of premium payment, failure to comply, etc.

- Ability to receive supporting documentation/verification from the Feds to document eligibility and or support eligibility determination with other human service programs at the state or community level
- Establishment of a NIEM Translator to support exchange of information with the Feds

Once the components of the plan are confirmed, the team would need to design, develop, test (which will include end-to-end testing with the Feds) and implement the integration components.

- ***Identify Capacity and Scale Required and Upgrade Systems, Infrastructure and Telecommunications to Accommodate –*** Identify capacity and scale required to support the new transactions, the increase in potential eligible and/or enrolled persons and the real-time nature of transactions once the negotiations are completed with the Feds and the integration requirements are confirmed. Once this sizing is done, the State would need to purchase and or re-allocate current resources to accommodate the increased capacity and scale requirements.

- ***Plan, Design, Develop, Test and Implement Modifications to Existing Operational System Components –*** Operational components such as modifying Arizona systems to support the new Medicaid eligibility programs (including re-directing persons to the Federal ACA Exchange if they are likely eligible under the MAGI rules), TIPS data exchange, program notices, appeals received on eligibility, call center and eligibility/enrollment staff education, policies and associated materials. Modify existing (traditional) Medicaid, CHIP and other rules to take into account the new Medicaid (i.e., MAGI) eligibility. Modifying public facing systems to accommodate new Medicaid eligibility which would include impacts on Health-e-Arizona, My Family Benefits, AHCCCS On-Line, MyAHCCS and State Portals. *[Note: Beyond State programs, there will likely be an impact on community information sites and community health programs where rules will also have to be modified to account for the new Medicaid eligibility. The costs and effort associated with community health program modifications are not included in the estimates of the level of effort required for this option.]*

- ***Plan, Design, Develop, Test and Implement Modifications to Existing Systems for Required Upgrades –*** These are the components discussed as the overarching changes that need to be made for every option. These include changes required for upgrading the AZTECS database to support the expected increase in volume of applicants and real-time transaction processing; leveraging Health-e-Arizona as a front-end for AZTECS users, leveraging the document management systems and the call centers to support the new volumes and processes.

- ***Provide Reporting and Updates –*** As required by the Feds and the State Oversight.

- ***Maintain and Integrate Into Obsolescence and Replacement Plan –*** All of the changes made at the State level would need to be maintained, included in upgrade plans, obsolescence and replacement and associated vendor support (if required).

OPTION 1: SUMMARY STATE RESOURCE REQUIREMENTS

We used the detailed work plan included in **Appendix B** to develop a staffing plan. We have identified the type of positions that would be required to support the work plan with the assumptions identified.

State Participation		Option 1 Use the Federal Exchange		
Activities	Agency	Person	Hours/ Person	Total
IT Governance Group	AHCCCS	1	120	120
IT Governance Group	DES	1	120	120
IT Governance Group	Insurance Department	1	120	120
IT Governance Group	Arizona Governor's Office	1	150	150
Project Manager	Arizona Governor's Office	1	4500	4500
Project Management and Oversight	DES	1	480	480
Project Management and Oversight	AHCCCS	1	480	480
Project Management and Oversight	Insurance Department	1	480	480
Federal Exchange Coordination	Arizona Governor's Office	1	580	580
Procurement	Arizona Governor's Office	0	0	0
Procurement	DES	2	60	120
Procurement	AHCCCS	2	60	120
Procurement	Insurance Department	1	120	120
Funding/Financing	Arizona Governor's Office	1	40	40
Funding/Financing	DES	2	40	80
Funding/Financing	AHCCCS	2	80	160
Funding/Financing	Insurance Department	0	0	0
Federal Briefings and Engagement	Arizona Governor's Office	1	400	400
Call Center Work Group	Arizona Governor's Office	0	0	0
Call Center Work Group	DES	0	0	0
Call Center Work Group	AHCCCS	0	0	0
Call Center Work Group	Insurance Department	0	0	0
Plan Management Work Group	Arizona Governor's Office	1	80	80
Plan Management Work Group	Insurance Department	3	80	240
Plan Management Work Group	AHCCCS	0	0	0
Plan Management Work Group	DES	0	0	0
Document Storage Work Group	Arizona Governor's Office	1	20	20
Document Storage Work Group	DES	2	20	40
Document Storage Work Group	AHCCCS	2	20	40
Document Storage Work Group	Insurance Department	0	0	0
Navigator, Community Assistor, Broker or Agent Work Group	Arizona Governor's Office	1	60	60
Navigator, Community Assistor, Broker or Agent Work Group	DES	1	120	120
Navigator, Community Assistor, Broker or Agent Work Group	AHCCCS	2	120	240
Navigator, Community Assistor, Broker or Agent Work Group	Insurance Department	3	240	720
Reinsurance and Risk Adjustment Work Group	Arizona Governor's Office	0	0	0
Reinsurance and Risk Adjustment Work Group	Insurance Department	0	0	0
Outreach and Education Work Group	Arizona Governor's Office	0	0	0
Outreach and Education Work Group	DES	0	0	0
Outreach and Education Work Group	AHCCCS	0	0	0
Outreach and Education Work Group	Insurance Department	0	0	0
Federal Guidance Study/Interpretation Work Group	Arizona Governor's Office	1	120	120
Federal Guidance Study/Interpretation Work Group	DES	1	40	40
Federal Guidance Study/Interpretation Work Group	AHCCCS	1	120	120
Federal Guidance Study/Interpretation Work Group	Insurance Department	1	120	120
Subject Matter Expert Group (Functional Expertise)	Arizona Governor's Office	0	0	0
Subject Matter Expert Group (Functional Expertise)	DES	3	120	360
Subject Matter Expert Group (Functional Expertise)	AHCCCS	2	120	240
Subject Matter Expert Group (Functional Expertise)	Insurance Department	3	40	120
Integration (Technical and Functional Expertise)	Arizona Governor's Office	1	60	60
Integration (Technical and Functional Expertise)	DES	2	120	240
Integration (Technical and Functional Expertise)	AHCCCS	2	120	240
Integration (Technical and Functional Expertise)	Insurance Department	2	60	120
Testing (Technical and Functional Expertise)	Arizona Governor's Office	1	40	40
Testing (Technical and Functional Expertise)	DES	3	80	240
Testing (Technical and Functional Expertise)	AHCCCS	3	80	240
Testing (Technical and Functional Expertise)	Insurance Department	3	80	240
Training	Arizona Governor's Office	0	0	0
Training	DES	1	40	40
Training	AHCCCS	1	40	40
Training	Insurance Department	1	40	40
	Totals	**68**		**12290**
	FTE over the 32 Months			**2.73**
			FTE's	
	Arizona Governor's Office	**6,050**	**1.34**	**6,050**
	AHCCCS	**2,040**	**0.45**	**2,040**
	DES	**2,600**	**0.58**	**2,600**
	Insurance Department	**1,600**	**0.36**	**1,600**
	Totals		**2.73**	**12,290**

Accordingly, we estimate the following:

These estimates do not include post implementation support or other maintenance activities.

OPTION 1: ESTIMATED TIMELINE

This timeline is completely dependent on the Federal government completing the Federal ACA Exchange, the Federal Data Hub and allowing the State to test its integration and associated operations accordingly. At a high-level, we would estimate that because the Federal government is driving a significant portion of this project and will want to achieve success in their offerings, we believe that they will likely be completed by January 1, 2014. It is important to note that historical implementations of the Federal Government, most recently Medicare Part D, have significant changes ongoing for years after implementation.

The next subsections identify the specific considerations for Option 2.

OPTION 2: JOIN A MULTI-STATE SOLUTION

OPTION 2: RESOURCE SUMMARY

Under Option 2, Arizona would join another State or States in a Multi-State Exchange. This option has a lot of similarities to Option 1 above. In a meeting with Arizona Leadership, it was determined that this option had low likeliness for Arizona. Accordingly, a detailed work plan was not developed for this option. However, a high-level work plan was developed so that the resources, financial implications and associated risks could be evaluated in preparing for discussions with Arizona's Leadership.

Given the similarity of the work required to support this option as required in Option 1, we present only the unique steps for this option below. First, it is assumed in this option that the Multi-State ACA Exchange would present and support the same consumer facing components of the Exchange that would be provided by the Federal ACA Exchange. Likewise, the items that are not clear for who will do what for the Federal ACA Exchange are the same for the Multi-State ACA Exchange. Accordingly, if this type of option were to be considered by Arizona, Arizona would have to negotiate these items with the administrative oversight group established by the Multi-State ACA Exchange.

OPTION 2: SUMMARY WORK PLAN

The key differences in the work plan relate to the work that Arizona would have to do to assess the Multi-State ACA Exchange groups, the negotiation and agreements required to codify the Multi-State ACA Exchanges responsibility to Arizona, and vice versa. It is our expectation that this could be a complicated process as there is no precedent for these types of arrangements related to the ACA Exchange and associated negotiations may be complex given that all States are awaiting detailed guidance from the Feds for the Exchange standards, requirements and other areas requiring clarification.

Another key difference is the ongoing requirements for the States to make them self-sufficient. It would be important for Arizona to negotiate the process for assessing and providing for meeting this goal and documenting the ramifications for States participating in the Multi-State ACA Exchange if it does not become self-sufficient. This part of the negotiations and agreement should also document the impact of

a State who ceases to participate or new states that join the Multi-State ACA Exchange at a later date. The impacts that would need to be addressed include: costs or savings (system, infrastructure and others), capacity, resource allocation, governance and influence. The negotiations should also address the impact to participating States if the Feds believe the Multi-State Exchange does not meet federal requirements. This model would also have to address the integration, inclusion or coordination with the American Indian Tribes on an off reservation.

As with Option 1, all of the changes made at the State of Arizona level would need to be maintained, included in upgrade plans, obsolescence and replacement and associated vendor support (if required).

OPTION 2: SUMMARY STATE RESOURCE REQUIREMENTS

Leveraging what we completed for Option 1, given it is similar to this plan, we have identified the type of positions that would be required to implement Option 2 with the assumptions identified. Accordingly, we estimate the following:

NEXT PAGE

State Participation		Option 2 Join a Multi-State Solution		
Activities	Agency	Person	Hours/ Person	Total
IT Governance Group	AHCCCS	1	120	120
IT Governance Group	DES	1	120	120
IT Governance Group	Insurance Department	1	120	120
IT Governance Group	Arizona Governor's Office	1	150	150
Project Manager	Arizona Governor's Office	1	4500	4500
Project Management and Oversight	DES	1	480	480
Project Management and Oversight	AHCCCS	1	480	480
Project Management and Oversight	Insurance Department	1	480	480
Federal Exchange Coordination	Arizona Governor's Office	1	40	40
Procurement	Arizona Governor's Office	0	0	0
Procurement	DES	2	60	120
Procurement	AHCCCS	2	60	120
Procurement	Insurance Department	1	120	120
Funding/Financing	Arizona Governor's Office	1	40	40
Funding/Financing	DES	2	40	80
Funding/Financing	AHCCCS	2	80	160
Funding/Financing	Insurance Department	0	0	0
Federal Briefings and Engagement	Arizona Governor's Office	1	160	160
Call Center Work Group	Arizona Governor's Office	0	0	0
Call Center Work Group	DES	0	0	0
Call Center Work Group	AHCCCS	0	0	0
Call Center Work Group	Insurance Department	0	0	0
Plan Management Work Group	Arizona Governor's Office	1	80	80
Plan Management Work Group	Insurance Department	3	80	240
Plan Management Work Group	AHCCCS	0	0	0
Plan Management Work Group	DES	0	0	0
Document Storage Work Group	Arizona Governor's Office	1	20	20
Document Storage Work Group	DES	2	20	40
Document Storage Work Group	AHCCCS	2	20	40
Document Storage Work Group	Insurance Department	0	0	0
Navigator, Community Assistor, Broker or Agent Work Group	Arizona Governor's Office	1	60	60
Navigator, Community Assistor, Broker or Agent Work Group	DES	1	120	120
Navigator, Community Assistor, Broker or Agent Work Group	AHCCCS	2	120	240
Navigator, Community Assistor, Broker or Agent Work Group	Insurance Department	3	240	720
Reinsurance and Risk Adjustment Work Group	Arizona Governor's Office	1	240	240
Reinsurance and Risk Adjustment Work Group	Insurance Department	3	240	720
Outreach and Education Work Group	Arizona Governor's Office	1	120	120
Outreach and Education Work Group	DES	1	40	40
Outreach and Education Work Group	AHCCCS	2	40	80
Outreach and Education Work Group	Insurance Department	3	120	360
Federal Guidance Study/Interpretation Work Group	Arizona Governor's Office	1	120	120
Federal Guidance Study/Interpretation Work Group	DES	1	40	40
Federal Guidance Study/Interpretation Work Group	AHCCCS	1	120	120
Federal Guidance Study/Interpretation Work Group	Insurance Department	1	120	120
Subject Matter Expert Group (Functional Expertise)	Arizona Governor's Office	1	120	120
Subject Matter Expert Group (Functional Expertise)	DES	3	240	720
Subject Matter Expert Group (Functional Expertise)	AHCCCS	3	320	960
Subject Matter Expert Group (Functional Expertise)	Insurance Department	3	240	720
Integration (Technical and Functional Expertise)	Arizona Governor's Office	1	60	60
Integration (Technical and Functional Expertise)	DES	2	120	240
Integration (Technical and Functional Expertise)	AHCCCS	3	240	720
Integration (Technical and Functional Expertise)	Insurance Department	2	120	240
Testing (Technical and Functional Expertise)	Arizona Governor's Office	1	40	40
Testing (Technical and Functional Expertise)	DES	3	120	360
Testing (Technical and Functional Expertise)	AHCCCS	3	120	360
Testing (Technical and Functional Expertise)	Insurance Department	3	120	360
Training	Arizona Governor's Office	2	80	160
Training	DES	2	120	240
Training	AHCCCS	2	120	240
Training	Insurance Department	2	120	240
	Totals	**87**		**16,590**
	FTE over the 32 Months			**3.6866667**
			FTE's	
	Arizona Governor's Office	**5,910**	**1.31**	**5,910**
	AHCCCS	**3,640**	**0.81**	**3,640**
	DES	**3,320**	**0.74**	**3,320**
	Insurance Department	**3,720**	**0.83**	**3,720**
	Totals		**3.69**	**16,590**

OPTION 2: ESTIMATED TIMELINE

We have prepared two timelines for this option. The first one is a timeline that reflects what must happen to meet the ACA 30 month timelines. This second timeline reflects what we believe is more realistic given the components associated with this option. We estimate it will require an additional 6 months to complete this project, or 36 months total. This would be 6 months after the deadline required by ACA. The primary reason for this overrun is the time required to negotiate an acceptable understanding with the multi-state group.

The next subsection identifies the specific considerations for Option 3.

OPTION 3: LEVERAGE EXISTING ARIZONA SYSTEMS AND FILL GAPS WITH NEW DEVELOPMENT

OPTION 3: RESOURCE OVERVIEW

This section describes the high level work plan and the various tasks and activities that are associated with leveraging existing Arizona systems and filling the gaps with new development to implement an Arizona ACA Exchange that meets the federal requirements. This Arizona ACA Exchange would be built on an upgraded model of Health-e-Arizona (known as Connect2Coverage) that has been modified to begin to reflect the ACA requirements, standards and guidance. Herein after, the Arizona ACA Exchange will be referred to as Connect2Coverage.

Arizona has actively been working through and assessing its options from both policy and technical perspectives. The pre-Establishment Grant activities have included meetings with stakeholders, discussions with State Agency Leadership, preliminary system assessments and Gap Analysis with the results documented in this report, providing input to SIS on the Connect2Coverage prototype and analysis of upgrading the AZTECS front-end and database as special projects associated with this work. In addition to these activities, Linda Skinner has testified before the ONC Enrollment Workgroup and provided a number of other supports, input and guidance to that Workgroup which helped guide the standards that were developed. In addition, the AHCCCS Leadership and the Governor's Office staff have been active in CCIIO, ONC and CMS meetings and calls to make sure they are aware and learning all they can about the forth coming requirements. This pre-grant work serves as the basis for this work plan and associated timeline.

[Note: Regarding the use and development of the Connect2Coverage Prototype. To further assess and evaluate the work ahead, SIS has developed a prototype that models the Federal standards and guidance while leveraging Health-e-Arizona. This prototype has allowed us to help gauge readiness and the ability to adapt the underlying asset, Health-e-Arizona, into an ACA Exchange system should Arizona select Option 3. Connect2Coverage is modeled on early thinking of how the Arizona ACA Exchange could accommodate the 1561 Standards, joint guidance from CCIIO and CMS and the requirements of the Establishment Grant and 90/10 Financing. It has helped illuminate, clarify and in some cases, raise more questions about how to best achieve a "first-class" consumer experience and meet all the required ACA compliance and standards. The prototype has also helped us think through the tasks and activities that the State has to undertake for the development, implementation and operations of the Exchange. It has been instrumental in shaping up the project work plan, resource allocations and budgeting and the activities described below.]

OPTION 3: SUMMARY WORK PLAN

We have prepared a draft of the work plan based on the guidelines provided in the Establishment Grant Application addressing the system development life cycle (SDLC) requirements set forth by the federal guidelines. Summarized below are the activities that the Arizona would have to undertake and execute to establish an ACA Exchange for Arizona that leverages existing Arizona technology assets.

- ***Determine the Financing Alternatives for this Option –*** This option would require the State to submit for the Exchange Establishment Grant and 90/10 financing. The State would need to establish a team to submit the appropriate grant requests, Advanced Planning Documents and other required budget forms to the CCIIO and CMS to secure the resources.

- ***Establish IT Governance -*** The IT Governance for this project should be established and should include the Governor's Office Exchange Leadership and Associated Leadership from DES, AHCCCS and the Department of Insurance. This Governance group would be staffed by the Arizona Project Manager and supported as needed by the project team. The IT Governance Committee would be provided status updates, support the team in making timely decisions and help the team overcome barriers.

- ***Establish Arizona Project Team –*** Certain positions should be secured, whether as employees or contracted positions to support the project and augment the cross-agency coordination that will be required. A key position is a Project Manager to oversee the IT projects. This person could be a current State agency staff person or may be someone who the state hires (staff or contract) to support the project. There are other key positions that also would be required to support this effort and are identified as resources required.

- ***Determine Procurement –*** Simultaneously with initiating the federal financial participation (90/10) and grant requests, the State should determine which services would need to be procured and mechanisms for procuring vendor support and options. The most obvious areas where vendor support would be likely under this option are: Upgrade of the AZTECS Database; Using Health-e-Arizona (Connect2Coverage) as the AZTECS front-end; the Arizona ACA Exchange (Connect2Coverage) and Health Plan Aggregation and Third Party Administration support for the SHOP Exchange. Procurement options would range from modifying existing contracts, to sole source contracts (where justified), to purchasing off the State contract, to competitive procurements. The vendor or vendor(s) selected through these procurement processes are hereinafter referred to as vendor in this work plan.

- ***Project Startup and Administrative Review –*** During this step various project initiation activities would be performed. The Connect2Coverage Project Leadership Team, the Arizona Project Manager, Project Leads for each Agency or Stakeholder Group and the Vendor Team Leadership would meet to review the project and establish appropriate project operations, milestones, reporting, and other appropriate metrics to identify project progress. The resultant project administration would be on-going throughout the project and adjusted to accommodate evolving project needs. In addition, a critical function of the project start-up team would be to

insure meetings with key stakeholder groups is established and a process for real-time exchange of communication and idea sharing, such as social networks or RSS feeds, is implemented for use by the Connect2Coverage Team. In addition, the IT Governance Group would establish a plan and work with CCIIO to collaborate and report progress so that CCIIO's insights and direction are incorporated into the project as well as insuring the project meets the goals for both Arizona and CCIIO who would be representing other federal agencies for this project.

The Connect2Coverage Project Team will finalize project team members (project managers, subject matter experts and other team members) and will define roles and responsibilities for the team members. The project scope, implementation approach and performance measures will also be reviewed and updated based on the operational approaches established by the project leadership.

- ***Planning and Initial Technology Acquisition for Arizona's Commercial Insurance and SHOP Exchange –*** Arizona must seek technology that will support the essential information technology support elements for aggregating the commercial insurance offering and the SHOP Exchange that allows for seamless consumer experience between these choices and public benefits. The planning and assessment for this commercial insurance and SHOP Exchange technology support to be integrated with Connect2Coverage would be done as one of the first steps in this process so that procurement activities could support the procurement for this type of support.

- ***Planning, Design, Development and Upgrade of the AZTECS Database –*** Arizona must identify an approach for upgrading or augmenting (data store) the AZTECS database to support more real-time processing as well as increase transaction volume that will be inherent with the changes in coverage accorded by ACA. These decisions should be made in the initial step of the project so that the vendor can be procured and the plan can be executed in tandem and coordination with the Connect2Coverage development and implementation. This component of the plan is likely to require some form of procurement.

- ***Planning, Design, Development and Upgrade of the AZTECS Front-End with Health-e-Arizona (i.e., Connect2Coverage) –*** Arizona must identify an approach for upgrading the front end of AZTECS with Connect2Coverage for eligibility worker to improve their support of consumers, efficiency, support of the call center and other activity associated with eligibility determination and associated case management. These changes should be done in a manner that is consistent with the Arizona ACA Exchange so that workers are familiar with and working in context of a system that is similar to that used by consumers. Like the upgrade of the AZTECS Database, these decisions should be made in the initial step of the project so that the vendor can be procured and the plan can be executed in tandem and coordination with the Connect2Coverage development and implementation.

- ***IT Project Dashboard Reports –*** The IT dashboard reports would contain high level status of the project that reveals the health of the project. Key indicators like schedule, effort, milestones, and progress percent and other stats will be indicated in these reports. These reports would display the current state of the project and help to identify current and future execution

challenges. These reports would be submitted to CCIIO starting from project startup and would continue through post implementation on a weekly basis.

- ***Project Deliverables –*** One of the ongoing activities would involve managing the project deliverables as required by CCIIO and CMS. These deliverables would include dashboard reports, user manuals, system and operations manuals and other documentation required in the project. The State would assign appropriate staffing resources to work closely with the stakeholders and manage these deliverables starting from the project startup on an ongoing basis.

- ***Architecture Review –*** During this step, the Connect2Coverage Project Team would confirm the business process model for the project and the requirements documents. The Connect2Coverage Project Team would also review the architecture of the current State systems in Arizona such as the AZTECS, PMMIS, third party administrator systems for SHOP, and the state and federal portals; the system upgrades, transitions and/or replacement, planned for these systems to identify impacts on the integration of these systems with Connect2Coverage. During this step, the team would work on an integration plan for Connect2Coverage with all these systems that are robust, flexible and service based, wherever possible. This integration would be supported by the Connect2Coverage enterprise service bus and service oriented architecture.

- ***Project Baseline Review –*** The Connect2Coverage Project Team would define and document the project charter and the project management plan. Both would be reviewed with the IT Governance Group. Once approved, the Connect2Coverage Project Team would publish project schedules and the proposed release plan. All these deliverables would be approved by the IT Governance Group, reviewed with CCIIO.

- ***Preliminary Design Review –*** This step would include a preliminary review of the system design. The Connect2Coverage Project Team would work on the following and would review results of analysis with the IT Governance Group:
  - Technical architecture diagram
  - Logical data model employing the NIEM standards as set forth in 1561
  - Data flow diagram
  - Graphical user experience (GUX)
  - System security plan
  - Test plan and traceability matrix

One of the major tasks that would need to be accomplished during this step is analysis and initial design of the consumer and employer user experience. The Project Team would work with GUX consultants to assist in development of the high level plan for GUX in Connect2Coverage. While the consumer and employers are a primary focus, the needs of all potential users (system administrators, eligibility workers, navigators, brokers, agents, call center staff, health plans and others) would also be addressed in this process. Consistent with the 1561 standards and Federal Guidance, the user experience must also address the FIPS, HiTECH, HIPAA and NIST privacy and

security requirements for the consumer information. All this must also be reconciled with the Arizona state privacy and security regulations. The GUX must also insure that Connect2Coverage complies with accessibility requirements (508), be understandable and provide guidance to consumers and employers so they can make informed decisions as well as provide direction to persons who need assistance with their application in where to get help.

- ***Detailed Design Review –*** Once the preliminary design was completed, the Connect2Coverage Project Team, with the GUX Experts, would work on the detailed design of the system, including GUX, and interfaces.

- ***Final Detailed Design Review –*** The Connect2Coverage Project Team would incorporate feedback in the Connect2Coverage Prototype and update appropriate project documents. Once the feedback had been incorporated the Connect2Coverage Prototype would be reviewed with the IT Governance Group.

- ***System and Interface Development –*** Once the designs are finalized and memorialized in the Connect2Coverage Prototype, Connect2Coverage Project Team would start the development of the system and interface components. This would include building out additional features such as:
  - Additional screens and data elements
  - GUX changes
  - Consume the federal eligibility rules web services and modify the existing eligibility rules for the items that are not available in the federal rules engine web services
  - Address automated verifications to state systems like Vital Records, IEVS, New Hires, DMV and others
  - Translations of additional data elements
  - Accessibility features for the additional screens and functionalities
  - Security and privacy features for the additional functionalities
  - Integration of the system with the State and Federal portals
  - Many others

- ***Pre-Operational Readiness Review –*** This step would include system qualification and readiness review before the operational readiness plan is defined. During this step, the system and interfaces would be tested to ensure compliance with the requirements. The Connect2Coverage Project Team would also prepare for the User Acceptance Testing (UAT).

- ***Operational Readiness Review –*** This process would be a final review and assessment of the readiness of the system for productive use. The Connect2Coverage Project Team would prepare a go-live check list and will review it with the IT Governance Group and appropriate persons responsible for systems who have interfaces with Connect2Coverage. This check list would include user support services that will be offered for Connect2Coverage. The IT Governance Group would review the go-live checklist and approve the implementation of Connect2Coverage in the production environment.

- ***Implementation –*** During this step, the system and the interfaces would be implemented in the production environment. The following tasks would be executed:
  - Conduct Training
  - Establish user support services (call center, live chat, help desk)
  - Move Connect2Coverage and the interfaces in the production environment
  - Complete data migration, if required
  - Complete the final Connect2Coverage and interface testing in the live production environment
  - Send go-live notification to the appropriate parties
  - Complete the go-live check list and review with the IT Governance Group
  - Monitor use and user support services to insure smooth operations.
  - Review consumer and employer on-line survey results to monitor progress, identify areas where Connect2Coverage could be modified to better support users and review with IT Governance Group

- ***Post Implementation Evaluation –*** Once the system was implemented in the production environment, the Connect2Coverage Project Team, in concert with the IT Governance Group, would conduct various post-implementation evaluation activities.

OPTION 3: SUMMARY STATE RESOURCE REQUIREMENTS

NEXT PAGE

State Participation		Option 3 Leverage Existing Arizona Systems and Fill GAPS with		
Activities	Agency	Person	Hours/ Person	Total
IT Governance Group	AHCCCS	1	240	240
IT Governance Group	DES	1	240	240
IT Governance Group	Insurance Department	1	240	240
IT Governance Group	Arizona Governor's Office	1	240	240
Project Manager	Arizona Governor's Office	1	4500	4500
Project Management and Oversight	DES	1	720	720
Project Management and Oversight	AHCCCS	1	720	720
Project Management and Oversight	Insurance Department	1	720	720
Federal Exchange Coordination	Arizona Governor's Office	1	40	40
Procurement	Arizona Governor's Office	1	120	120
Procurement	DES	2	80	160
Procurement	AHCCCS	2	80	160
Procurement	Insurance Department	1	120	120
Funding/Financing	Arizona Governor's Office	1	160	160
Funding/Financing	DES	2	80	160
Funding/Financing	AHCCCS	2	80	160
Funding/Financing	Insurance Department	1	80	80
Federal Briefings and Engagement	Arizona Governor's Office	1	400	400
Call Center Work Group	Arizona Governor's Office	1	60	60
Call Center Work Group	DES	3	60	180
Call Center Work Group	AHCCCS	3	60	180
Call Center Work Group	Insurance Department	1	60	60
Plan Management Work Group	Arizona Governor's Office	1	160	160
Plan Management Work Group	Insurance Department	3	80	240
Plan Management Work Group	AHCCCS	1	80	80
Plan Management Work Group	DES	1	80	80
Document Storage Work Group	Arizona Governor's Office	1	40	40
Document Storage Work Group	DES	2	80	160
Document Storage Work Group	AHCCCS	2	80	160
Document Storage Work Group	Insurance Department	1	80	80
Navigator, Community Assistor, Broker or Agent Work Group	Arizona Governor's Office	1	60	60
Navigator, Community Assistor, Broker or Agent Work Group	DES	1	120	120
Navigator, Community Assistor, Broker or Agent Work Group	AHCCCS	2	120	240
Navigator, Community Assistor, Broker or Agent Work Group	Insurance Department	3	240	720
Reinsurance and Risk Adjustment Work Group	Arizona Governor's Office	1	240	240
Reinsurance and Risk Adjustment Work Group	Insurance Department	3	240	720
Outreach and Education Work Group	Arizona Governor's Office	1	120	120
Outreach and Education Work Group	DES	1	40	40
Outreach and Education Work Group	AHCCCS	2	40	80
Outreach and Education Work Group	Insurance Department	3	120	360
Federal Guidance Study/Interpretation Work Group	Arizona Governor's Office	1	240	240
Federal Guidance Study/Interpretation Work Group	DES	1	80	80
Federal Guidance Study/Interpretation Work Group	AHCCCS	1	240	240
Federal Guidance Study/Interpretation Work Group	Insurance Department	1	240	240
Subject Matter Expert Group (Functional Expertise)	Arizona Governor's Office	1	120	120
Subject Matter Expert Group (Functional Expertise)	DES	3	400	1200
Subject Matter Expert Group (Functional Expertise)	AHCCCS	3	400	1200
Subject Matter Expert Group (Functional Expertise)	Insurance Department	3	240	720
Integration (Technical and Functional Expertise)	Arizona Governor's Office	1	60	60
Integration (Technical and Functional Expertise)	DES	2	120	240
Integration (Technical and Functional Expertise)	AHCCCS	3	240	720
Integration (Technical and Functional Expertise)	Insurance Department	2	120	240
Testing (Technical and Functional Expertise)	Arizona Governor's Office	1	40	40
Testing (Technical and Functional Expertise)	DES	3	120	360
Testing (Technical and Functional Expertise)	AHCCCS	3	120	360
Testing (Technical and Functional Expertise)	Insurance Department	3	120	360
Training	Arizona Governor's Office	2	80	160
Training	DES	2	120	240
Training	AHCCCS	2	120	240
Training	Insurance Department	2	120	240
	Totals	**100**		**20,660**
	FTE over the 32 Months			**4.59**
			FTE's	
	Arizona Governor's Office	**6,760**	**1.50**	**6,760**
	AHCCCS	**4,780**	**1.06**	**4,780**
	DES	**4,700**	**1.04**	**4,700**
	Insurance Department	**4,420**	**0.98**	**4,420**
	Totals		**4.59**	**20,660**

OPTION 3: ESTIMATED TIMELINE

We estimate Option 3 would likely be completed by January 1, 2014. The significant time consideration under this option is the time to procure the vendor resources timely. It is also assumed under this timeline that there would be multiple project tracks: the ACA Exchange, replacement of the AZTECS front-end, upgrade of ACE and upgrade of the AZTECS database.

The next subsections identify the specific considerations for Option 4.

OPTION 4: LEVERAGE EXISTING ARIZONA SYSTEMS AND FILL GAPS BY BORROWING

OPTION 4: RESOURCE OVERVIEW

This section describes the high level work plan and the various tasks and activities that would be required to leverage existing Arizona systems and fill gaps by borrowing from the Feds or other states. This approach would be very much the same as Option 3 as described above.

The big questions open in this area are whether the Feds or other states will be far enough along for Arizona to conduct appropriate evaluation of the system, transfer it to Arizona and become familiar enough with the borrowed ACA Exchange so that modification could be made timely enough for Arizona to comply with the timelines set forth by ACA.

OPTION 4: SUMMARY WORK PLAN

The work plan for this Option would essentially be the same as Option 3 from a project step standpoint. The obvious differences where the work plan would need to be modified include:

- Arizona would need to develop a process to review and evaluate the ACA Exchange systems that are being developed and decide which might be the “best fit” for Arizona, insuring that the team was familiar with the code of this adopted ACA Exchange so it could make the appropriate modifications for the integration steps called out in Option 3.
- The borrowed ACA Exchange would need to be modified or configured to reflect Arizona jurisdictional specifics including ZIP codes, Arizona program names, notices, help text to name a few.
- The borrowed ACA Exchange would need to integrate rules for Arizona current programs such as traditional Medicaid and other local health programs.
- The borrowed ACA Exchange would need to be modified and integrated with AZTECS, PMMIS and ACE through use of the TIPS interface.
- Further, if this option is selected, that State would also need to consider whether it would adopt and adapt the ACA Exchange from another jurisdiction to provide the updated front-end to AZTECS.
- The final additional area that would be different in this plan is technical environment. The appropriate hosting, technical infrastructure would have to be established to accommodate this “borrowed” system.

In contrast, there should be some steps that would not require as much time as Option 3 did under this option as the borrowed ACA Exchange should have handled these development items if it is compliant with federal standards and guidance.

OPTION 4: SUMMARY RESOURCE REQUIREMENTS

To develop the resource estimates for this Option, we used the resources developed for Option 3, and then adjusted them to accommodate the difference noted above. Based on these adjustments, the following estimates of resources required for this option follow:

NEXT PAGE

State Participation	Option 4 Leverage Existing Arizona Systems and Fill GAPS by Borrowing			
Activities	Agency	Person	Hours/ Person	Total
IT Governance Group	AHCCCS	1	280	280
IT Governance Group	DES	1	280	280
IT Governance Group	Insurance Department	1	280	280
IT Governance Group	Arizona Governor's Office	1	280	280
Project Manager	Arizona Governor's Office	1	4500	4500
Project Management and Oversight	DES	1	840	840
Project Management and Oversight	AHCCCS	1	840	840
Project Management and Oversight	Insurance Department	1	840	840
Federal Exchange Coordination	Arizona Governor's Office	1	40	40
Procurement	Arizona Governor's Office	1	180	180
Procurement	DES	2	120	240
Procurement	AHCCCS	2	120	240
Procurement	Insurance Department	1	120	120
Funding/Financing	Arizona Governor's Office	1	160	160
Funding/Financing	DES	2	80	160
Funding/Financing	AHCCCS	2	80	160
Funding/Financing	Insurance Department	1	80	80
Federal Briefings and Engagement	Arizona Governor's Office	1	400	400
Call Center Work Group	Arizona Governor's Office	1	80	80
Call Center Work Group	DES	3	80	240
Call Center Work Group	AHCCCS	3	80	240
Call Center Work Group	Insurance Department	1	80	80
Plan Management Work Group	Arizona Governor's Office	1	160	160
Plan Management Work Group	Insurance Department	3	80	240
Plan Management Work Group	AHCCCS	1	80	80
Plan Management Work Group	DES	1	80	80
Document Storage Work Group	Arizona Governor's Office	1	60	60
Document Storage Work Group	DES	2	100	200
Document Storage Work Group	AHCCCS	2	100	200
Document Storage Work Group	Insurance Department	1	100	100
Navigator, Community Assistor, Broker or Agent Work Group	Arizona Governor's Office	1	60	60
Navigator, Community Assistor, Broker or Agent Work Group	DES	1	120	120
Navigator, Community Assistor, Broker or Agent Work Group	AHCCCS	2	120	240
Navigator, Community Assistor, Broker or Agent Work Group	Insurance Department	3	240	720
Reinsurance and Risk Adjustment Work Group	Arizona Governor's Office	1	240	240
Reinsurance and Risk Adjustment Work Group	Insurance Department	3	240	720
Outreach and Education Work Group	Arizona Governor's Office	1	120	120
Outreach and Education Work Group	DES	1	40	40
Outreach and Education Work Group	AHCCCS	2	40	80
Outreach and Education Work Group	Insurance Department	3	120	360
Federal Guidance Study/Interpretation Work Group	Arizona Governor's Office	1	240	240
Federal Guidance Study/Interpretation Work Group	DES	1	80	80
Federal Guidance Study/Interpretation Work Group	AHCCCS	1	240	240
Federal Guidance Study/Interpretation Work Group	Insurance Department	1	120	120
Subject Matter Expert Group (Functional Expertise)	Arizona Governor's Office	1	180	180
Subject Matter Expert Group (Functional Expertise)	DES	3	480	1440
Subject Matter Expert Group (Functional Expertise)	AHCCCS	3	480	1440
Subject Matter Expert Group (Functional Expertise)	Insurance Department	3	320	960
Integration (Technical and Functional Expertise)	Arizona Governor's Office	1	80	80
Integration (Technical and Functional Expertise)	DES	2	160	320
Integration (Technical and Functional Expertise)	AHCCCS	3	160	480
Integration (Technical and Functional Expertise)	Insurance Department	2	160	320
Testing (Technical and Functional Expertise)	Arizona Governor's Office	1	40	40
Testing (Technical and Functional Expertise)	DES	3	200	600
Testing (Technical and Functional Expertise)	AHCCCS	3	200	600
Testing (Technical and Functional Expertise)	Insurance Department	3	200	600
Training	Arizona Governor's Office	2	120	240
Training	DES	2	200	400
Training	AHCCCS	2	200	400
Training	Insurance Department	2	200	400
	Totals	**100**		**23,560**
	FTE over the 32 Months			**5.24**
			FTE's	
	Arizona Governor's Office	**7,060**	**1.57**	**7,060**
	AHCCCS	**5,520**	**1.23**	**5,520**
	DES	**5,760**	**1.28**	**5,760**
	Insurance Department	**5,220**	**1.16**	**5,220**
	Totals		**5.24**	**23,560**

OPTION 4: ESTIMATED TIMELINE

There are many unknowns for this option, not the least of which is whether any other ACA Exchange systems will be done soon enough for Arizona to adopt. There will also be issues in that this Option will require Arizona to evaluate and select the right Exchange. We have provided the timeline below as if there were a number of ACA Exchange options from which Arizona could choose, so that we could identify time associated with the differences called out above. We also expect that Arizona would have to "re-do" many of its current interfaces and all will have to be retested. Based on this analysis, we would estimate a timeline from the point of selecting the ACA Exchange to borrow to be approximately 42 months.

The fifth and final option is presented below.

OPTION 5: BUILD FROM SCRATCH (RIP AND REPLACE)

OPTION 5: RESOURCE OVERVIEW

This section describes the high level work plan and the various tasks and activities related to the Build from Scratch (commonly referred to as "Rip and Replace") Option. Under this option, the AZTECS, PMMIS and ACE systems would all be replaced and the new ACA Exchange functionality would also be built. Under this option, a comprehensive infrastructure that is MITA compliant would be developed. This infrastructure would be SOA. All of the AZTECS, PMMIS and ACE functionality would be subsumed (incorporated) into this new system. This would allow the state to decommission these systems once migrated to the new platform.

This option could offer a robust upgraded backbone upon which these systems could be built. Further, this would allow the State to avoid the AZTECS database upgrade as well as the use of Health-e-App (Connect2Coverage) to serve as the front-end of AZTECS. On the other hand, there would be a significant amount of procurement, system development and implementation to complete in the timelines set forth for ACA.

Without completing a detailed work plan, resource plan and budget, it is clear that this is the most expensive option of those presented. Along with the costs, because of the significant number of changes that would need to occur and the breadth of the capability the new system would have to support, this option also has the highest level of risk. While the age and technical platform that AZTECS and PMMIS utilize might give most people an expectation that replacement would be a good option for Arizona, the Arizona Leadership believe the platform is viable. SIS, too, has evaluated this option and believes that with the augmentation and utilization of a robust middleware approach, as contemplated in the other options, it is not necessary to move forward with a "rip and replace" strategy.

Accordingly, we have not developed a work plan or resource estimate for this option.

CONCLUSION

The options presented are complex and the associated resources for these options are equally complex. Further development of the estimated resources and timelines is required to estimate the costs that Arizona is likely to incur for each option. The following section identifies the cost estimates that we would project based on the resources and timelines set for above.

SECTION VIII: FINANCIAL IMPLICATIONS

This section includes our analysis of the high-level financial considerations for each of the options presented in the foregoing sections. Areas of analysis for each option include:

- An estimate of State staff resources
- An estimate of external costs
- Identification of potential financing options

This analysis is based on the high-level resource assessment associated with the ACA Exchange systems options provided in the preceding section. As this is early in the process, additional financial analysis should be conducted throughout the entire project. Further, this financial analysis does estimate the system and technology costs, but does not deal with the costs or financial implications of operating the ACA Exchange. These operational aspects of the financing should also be addressed and used to further evaluate the systems options identified herein.

Wherever possible, we have developed our worksheets in a manner that would be consistent with the grant applications the state will be required to submit to CMS should the state move forward with an Exchange Establishment Grant or 90/10 Federal financing option. We would be happy to share our base documentation to support the State's process for applying for the grants.

STATE STAFF RESOURCE ESTIMATES

Using the resource estimates prepared for each option in **Section VII: Resources and Requirements Analysis**, we have identified estimates of resources. We would like to note that when Maryland prepared their staffing estimates for their Innovator Grant, they used these types of estimates to acquire resources that could help augment their staff, recognizing that many of their key staff would need to support this type of project. We should also note that Maryland requested 11 positions to support a project that - when originally conceived - was very similar to Option 3 presented below. We share this information as the estimates provided herein may be considered conservative for purposes of requesting support and grants. A summary of staff cost estimates are presented below.
NEXT PAGE

Internal Staffing Estimates

Option 1		FTE's	Hours	Average Annual Fully Loaded Staff Costs	32-Month Estimate	Travel & Incidentals	Total
Arizona Governor's Office		1.34	6,050	$ 100,000	$ 358,519		
AHCCCS		0.45	2,040	$ 100,000	$ 120,889		
DES		0.58	2,600	$ 100,000	$ 154,074		
Insurance Department		0.36	1,600	$ 100,000	$ 94,815		
Totals		**2.73**	**12,290**	$ 100,000	$ 728,296	$ 18,207	$ 746,504

Option 2		FTE's	Hours				
Arizona Governor's Office		1.31	5,910	$ 100,000	$ 350,222		
AHCCCS		0.81	3,640	$ 100,000	$ 215,704		
DES		0.74	3,320	$ 100,000	$ 196,741		
Insurance Department		0.83	3,720	$ 100,000	$ 220,444		
Totals		**3.69**	**16,590**	$ 100,000	$ 983,111	$ 24,578	$ 1,007,689

Option 3		FTE's	Hours				
Arizona Governor's Office		1.50	6,760	$ 100,000	$ 400,593		
AHCCCS		1.06	4,780	$ 100,000	$ 283,259		
DES		1.04	4,700	$ 100,000	$ 278,519		
Insurance Department		0.98	4,420	$ 100,000	$ 261,926		
Totals		**4.59**	**20,660**	$ 100,000	$ 1,224,296	$ 30,607	$ 1,254,904

Option 4		FTE's	Hours				
Arizona Governor's Office		1.57	7,060	$ 100,000	$ 418,370		
AHCCCS		1.23	5,520	$ 100,000	$ 327,111		
DES		1.28	5,760	$ 100,000	$ 341,333		
Insurance Department		1.16	5,220	$ 100,000	$ 309,333		
Totals		**5.24**	**23,560**	$ 100,000	$ 1,396,148	$ 34,904	$ 1,431,052

Option 5		FTE's	Hours				
Arizona Governor's Office		4.71	21,180	$ 100,000	$ 1,255,111		
AHCCCS		3.68	16,560	$ 100,000	$ 981,333		
DES		3.84	17,280	$ 100,000	$ 1,024,000		
Insurance Department		3.48	15,660	$ 100,000	$ 928,000		
Totals		**15.71**	**70,680**	$ 100,000	$ 4,188,444	$ 104,711	$ 4,293,156

We have used a fully loaded staff level of $100,000 annually to prepare the estimates above. The fully loaded costs include salary, benefits and overhead allocations (management oversight, occupancy and other related costs).

The State should also consider whether the staff they utilize to support the project are State staff or contractors. The reasons to consider use of contractors in this staff augmentation situation is that it is a project, and therefore, by its nature temporary. The second reason is the time required to hire State staff may be substantially longer than acquiring contracted staff.

In addition to these base costs, we would expect that the State would incur some travel expenses for each option. Accordingly, we have allocated the travel at 2.5%. This travel would be used for meetings and conferences with the Federal Government, trips to support a Multi-State ACA Exchange, or trips to review vendors or other State ACA Exchanges.

Another consideration for the State is that we have used a standard 32-month project timeline for each of these estimates. As noted in **Section VII: Resource Requirements and Analysis**, some of these options may take longer than 32 months to complete. The State may need to adjust these estimates to accommodate the different projected timelines per option.

The final consideration for Arizona in this area is the cost of ongoing maintenance and support of the ACA Exchange. There is insufficient information at this point to estimate these costs, but they would include such things as changes that are likely to be forthcoming from the federal government after the implementation of the ACA Exchange, the changes that are already imbedded in the ACA legislation and staff resources required to maintain the technical components identified in this report.

EXTERNAL RESOURCE ESTIMATES

In this subsection, we provide a summary of the estimated costs for vendors to support each option. We have gathered these costs based on analysis of Early Innovator Grants submitted to the Federal government, discussions with Arizona staff and their experience in procuring resources for the State, and discussions with vendors. A key consideration for **Option 3: Leverage Existing State Systems and Fill Gaps with New Development**, and the pricing set forth for the AZTECS front-end replacement, is that we have used our non-profit pricing model. If a for-profit vendor is utilized for these activities, we would estimate that the vendor costs would at least double for these same activities. The summary of the external (or vendor) resource estimates by option is presented below.
NEXT PAGE

Vendor Cost Estimates	Option				
Assumes 32 month project [July 1, 2011 to February 28, 2014]	1	2	3	4	5
			Leveraging Existing Arizona		
System Vendor Role	Use the Federal Exchange	Joining and Multi-State Solution **	. . . with New Development	. . . by Borrowing **	Build from Scratch (Rip and Replace) ***
State ACA Exchange	$ -	$ 13,000,000	$ 9,823,000	$ 13,000,000	$ 120,000,000
State Hub*	$ 1,571,000	$ 1,571,000			
Graphical User Experience	$ -	$ -	$ 500,000	$ -	$ -
AZTECS Database Upgrade	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ -
AZTECS Front End Replacement with Health-e-Arizona	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ -
ACE Upgrade******	Not Included	Not Included	Not Included	Not Included	$ -
Plan Management *****	$ -	$ -	$ 2,500,000	$ -	$ -
Quality rating system	$ 150,000	$ 150,000	$ -	$ -	$ -
Navigator Program, Registration, Certification and Account Administration	$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ -
Total Contractual Costs =	**$ 8,871,000**	**$ 21,871,000**	**$ 19,973,000**	**$ 20,150,000**	**$ 120,000,000**
*Including Equipment and Infrastructure	571,000	571,000	923,000	923,000	Included in Estimate Above

** $30 to 80 million from the Early Innovators grants of 100% Federal. Adjusted to reflect State Match, this is likely to be a range of $40 to 100 million. This financial model assumes 3 states would participate = range of $13 to $33 million per State. We used $13 million for purposes of this analysis.

*** We used the AZTECS Replacement Budget of $60 million and doubled it to handle the full rip and replace of AZTECS, PMMIS, ACE Upgrade and ACA Exchange Related Capabilities. We have also validated this with the costs that other states, like Kansas have projected for system replacements.

Assumes the use of a Non Profit Vendor for

***** Includes all plan management functions. Estimates are based on a discussion of projected costs estimates with CHOICE Administrators

****** The ACE Upgrade is estmated as a technology conversion. It does not include development of new or changed functionality

For **Option 1: Adopt the Federal Exchange,** the external vendor costs are associated with development of the State hub versus the ACA Exchange, given this model assumes the Federal government will be providing this functionality and ongoing support. A key assumption for all of the options noted is that they expect that these technical solutions would be offered and supported in a Cloud Computing (shared technical resource) environment. This is consistent with the federal guidance as it allows for lower costs when resources can be shared and the costs of these shared resources allocated to the resource consumer. Otherwise, the assumptions used to develop these estimates are identified in the graphic.

It should be noted that two components have not been estimated in this summary: (1) the costs for upgrading ACE (the estimation of this upgrade was not part of the scope of this project); and (2) the ongoing costs of maintenance. The annual maintenance costs typically range between 20 and 35% of the initial costs depending on the nature of the technical infrastructure, planned obsolescence and volume of use which affects bandwidth, support and other provisioning.

SUMMARY COSTS

The costs of these different options are summarized in the table below.

Overall Cost Estimates	Option				
Assumes 32 month project [July 1, 2011 to February 28, 2014]	1	2	3	4	5
			Leveraging Existing Arizona		
	Use the Federal Exchange	Joining and Multi-State Solution **	. . . with New Development	. . . by Borrowing **	Build from Scratch (Rip and Replace) ***
Total State Resource Cost Estimates	$ 746,504	$ 1,007,689	$ 1,254,904	$ 1,431,052	$ 4,293,156
Total Contractual (Vendor) Cost Estimates	$ 8,871,000	$ 21,871,000	$ 19,973,000	$ 20,150,000	$ 120,000,000
Total Estimated Costs by Option	$ 9,617,504	$ 22,878,689	$ 21,227,904	$ 21,581,052	$ 124,293,156

POTENTIAL FINANCING OPTIONS

The costs identified above indicate that the ACA Exchange is a significant project, no matter which option is adopted. In discussions with some State Leadership, they challenged whether a "Do Nothing" option might be a sixth option for the State to consider. There are likely significant ramifications that this potential Option 6 may have, but it appears that some other States may be adopting this strategy, so Arizona may want to consider this option for additional analysis.

Assuming that the State does move forward with selecting one of the five options analyzed in this report, the State will want to take advantage of all financing options available to support each option. The table below presents highlights.

	Option				
	1	2	3	4	5
			Leveraging Existing Arizona		
Financing Options	Use the Federal Exchange	Joining and Multi-State Solution **	. . . with New Development	. . . by Borrowing **	Build from Scratch (Rip and Replace) ***
ACA Exchange Establishment Grants *	Availability Not Clear	Available	Available	Available	Available
90/10 Federal Financing for Eligibility Systems **	Availability Not Clear	Available	Available	Available	Available
Private Philanthropy GUX Participation ***	Not Applicable	Available	Available	Not Applicable	Available

The federal government has identified three major financing options for financing the ACA Exchanges and associated changes required to the public eligibility systems. It should be noted that availability of financing for Option 1 is not clear as all the current federal financing options appear to require States to establish ACA functions while meeting the ACA requirements and standards.

In addition to the financing options identified above, Arizona has secured an Exchange Planning Grant which was used to finance this Gap Analysis and other similar activities ongoing in the State associated with preparations for the ACA Exchange.

Each of these financing options is highlighted below:

- **ACA EXCHANGE ESTABLISHMENT GRANTS**

  The Exchange establishment grant process announced on January 20, 2011 recognizes that States are making progress toward establishing Exchanges, but are doing so at different paces. States that are moving ahead on a faster pace can apply for multi-year funding. States that are making progress in establishing their Exchange through a step-by-step approach can apply for funding for each project year. States may initially apply for either level one or level two establishment grants, based on their progress. States can also choose when during this year to apply for grant funding based on their needs and planned expenditures. Moving forward, States will have multiple opportunities to apply for funding as they progress through the Exchange establishment process. This process gives States maximum flexibility and ensures that States can move forward on their own timetables as they work to build an Exchange.

  Level One Establishment Grants: These grants provide up to one year of funding to States that have made some progress under their Exchange planning grant. States may plan to reapply for a second year of funding under the level one establishment grants if necessary to meet the criteria to apply for level two establishment grants.

  Level Two Establishment Grants: This category of grants is designed to provide funding through December 31, 2014 to applicants that are further along in the establishment of an Exchange. In applying for level two establishment grants, States must meet specific eligibility criteria, including that the State has:

  - Legal authority to establish and operate an Exchange that complies with Federal requirements available at the time of the application
  - A governance structure for the Exchange
  - A budget and initial plan for financial sustainability by 2015
  - A plan outlining steps to prevent fraud, waste, and abuse
  - A plan describing how consumer assistance capacity in the State will be created, continued, and/or expanded, including provision for a call center

  These criteria provide a basic framework, but also provide States with an enormous amount of flexibility to build Exchanges that meet their needs. States can use the Exchange establishment grants for a number of different activities including conducting background research, consulting with stakeholders, making legislative and regulatory changes, governing the Exchange, establishing information technology systems, conducting financial management and performing oversight and ensuring program integrity.

- **90/10 FEDERAL FINANCING FOR ELIGIBILITY SYSTEMS**

  CMS issued a final rule that will provide 90 percent of the cost for states to develop and upgrade their systems to help people enroll in Medicaid or the Children's Health Insurance Program (CHIP) with cost allocation to other State programs such as SNAP and TANF. The rule also provides for 75% of the ongoing operational (maintenance) costs. The rule has a number of function, performance and integration standards for improved eligibility systems that meet the

ACA technology standards. The goal of the rule is to promote greater efficiency and more consumer-friendly enrollment process.

The rule emphasizes the need for a modular, flexible approach to systems development that promotes the ease of maintenance as well as the sharing, leverage and reuse of systems within and among states. What's really important to most of us is that these systems are expected to improve enrollment and renewal by:

- Supporting accurate and timely processing of eligibility decisions and effective communications with providers, beneficiaries and the public
- Producing transaction data, reports and performance information that contribute to program evaluation, continuous business improvement, and transparency and accountability
- Ensuring seamless coordination with the Exchange and allow interoperability with health information exchanges, public health agencies, human services programs and community organizations providing outreach enrollment assistance services

It's important to keep in mind that this is a time-limited opportunity. To qualify for the 90 percent funding, states must incur costs for goods and services furnished no later than December 31, 2015. But to help states get started right away, the rule waives both the 30- and 60-day delay in effective date.

- **PRIVATE PHILANTHROPY GUX PARTICIPATION**

  A special project launched by the California HealthCare Foundation, along with seven national and state foundations, formed a public-private partnership with CMS to design a first-class user experience for enrollment and retention in health care reform coverage programs. The intended clients are state-based Exchanges and CMS, who will use the project to design the Federal Exchange. IDEO, one of the most respected design and engineering firms in the world, will conduct human factors research and design services.

  The design services are intended to reflect the Affordable Care Act's statutory requirements and CMS guidance, and be agnostic to vendor offerings and/or back-end systems. This project should reduce Arizona's need to "build" and deal with these ACA requirements. The estimate for this in Option 3 is $500,000. The project will develop a user-experience design that Arizona could implement, complete with a detailed requirements document, information architecture, working prototype, implementation manual, user flows, design elements, iconography, etc. - all of that could be customized for state specific needs.

  Additionally, because CMS is a key partner, they have committed to provide policy guidance to the design efforts to provide assurance that the user experience is in conformance with the federal statute and existing and still emerging CMS guidance.

OTHER FINANCING OPTIONS – SUBSCRIPTION-LIKE MODEL

Other financing may also need to be secured. It is clear that the Federal Government is not providing financial support for the Navigator Program and there are likely other costs of operations that will not be supported.

Arizona has a long established history of utilizing a Subscription Model to support ongoing maintenance of Health-e-Arizona. It will be critical to look at how the ongoing maintenance of Health-e-Arizona (to become Connect2Coverage) will be maintained. One Arizona Leader has suggested that this type of model may be adopted to support the ACA Exchange and that it be used with the Plan Management vendor to have them collect commissions and brokerage fees to serve as the financial base for establishing their ACA Exchange capabilities in Arizona and ongoing maintenance. This may also serve as a financial source for supporting the Connect2Coverage State match and ongoing maintenance as well. It is possible that this may also provide some operational support for the Navigator Program.

We suggest that the Funding/Financing Team called out in the State Resource worksheets take this matter up and analyze the viability of this type of financing option or alternatives if it is determined not viable.

CONCLUSION

This is a complex area of analysis. More is unknown than known. What this analysis does is provide order of magnitude comparisons to the options under consideration. It should also serve as a base that the State can use as it continues to make progress on its ACA Exchange. The next section provides a framework for assessing the risks associated with each option.

SECTION IX: RISK ASSESSMENT

The future holds unknowns and uncertainties for each of the options presented in this Gap Analysis. There are many questions that give rise to an overall risk assessment. This section presents a risk assessment for each option. *Risk analysis* is the process of assessing risks, while *risk management* uses risk analysis to devise management strategies to reduce or ameliorate risk.

To assess the risks, there are a number of questions that must be answered, such as:

1. How complex is the option?
2. How much control will the State have over the results?
3. How much is known versus unknown?
4. What is the level of project delivery complexity?
5. How long will this project eventually take? How much will it finally cost?
6. Will its product perform according to specifications?
7. Does the option support the long-term State strategies?
8. Will the resultant ACA Exchange support Arizonans efficiently?
9. Will the option remain politically viable?

These questions are posed in the future tense and those trying to establish an ACA Exchange or integrate with an ACA Exchange are being asked to predict and build towards an uncertain future. Regardless of uncertainties, it is prudent to evaluate what *is* known about the risks of each Option in an attempt to make the most informed decision about which option is likely to provide the best results for Arizona.

In the following subsection, a summary of the risks for each option is presented.

SUMMARY OF RISKS BY OPTION

The following summary presents the risk related questions noted above and provides the responses for each based on the analysis conducted of each option.

	Option						
	1	2	3	4	5		
			Leveraging Existing Arizona Systems and Filling the GAPS . . .				
Risk Questions	Use the Federal Exchange	Joining and Multi-State Solution	. . . with New Development	. . . by Borrowing	Build from Scratch (Rip and Replace)	Range 1 to 5	
						Low	**High**
How complex is the option?	**4**	**5**	**3**	**4**	**5**	**1**	**5**
How much control will the State have over the results?	**5**	**4**	**1**	**2**	**1**	**5**	**1**
How much is known versus unknown?	**4**	**5**	**3**	**4**	**4**	**5**	**1**
What is the level of project delivery complexity?	**3**	**5**	**3**	**4**	**5**	**1**	**5**
How long will this project eventually take?	**2**	**5**	**3**	**5**	**5**	**1**	**5**
How much will it finally cost?	**2**	**3**	**3**	**2**	**5**	**1**	**5**
Will its product perform according to specifications?	**4**	**4**	**3**	**4**	**5**	**5**	**1**
Does the option results support the long-term State strategies?	**5**	**5**	**2**	**2**	**1**	**5**	**1**
Will the resultant ACA Exchange support Arizonan's efficiently?	**4**	**4**	**2**	**2**	**1**	**5**	**1**
Will the option remain politically viable?	**1**	**2**	**2**	**2**	**5**	**5**	**1**
Total	**34**	**42**	**25**	**31**	**37**		

The results above indicate that all Options have a fair amount of risk, but Option 3 has the lowest level of risk. Establishing the project risk management associated with inherent risks is a scalable activity and should be addressed in the project staffing and selection of vendors to support Options. Consideration of the risks should be commensurate with the size and complexity of the option under consideration.

Given the significance of Arizona's ACA Exchange and the risks identified above, when Arizona identifies its preferred Option and establishes a course of action to implement it, continuous project risk assessment and management should be imbedded in the project plan and execution. This process should include:

- The identification of risks
- The logging and prioritizing of risks
- The identification of risk mitigating actions
- The assignment and monitoring of risk mitigating actions
- The closure of risks

The project risk assessment may be used to formally assess any type of risk; however, the most frequent types of risks identified that relate to an IT development project are:

- Scope
- Deliverables
- Timescale
- Resources

Project risk factors may also be evaluated by taking into consideration such factors as:

- The project's strategic risk
- The project's operational/tactical risk
- The project's financial risk
- The project's compliance risk
- The project's reputational risk

Project risk assessment typically includes:

- Project information (such as project scope)
- A description of the risk identified
- An assessment of the risk's probability and impact
- Risk control options to minimize the probability
- Risk control options to minimize the impact
- Risk acceptance by the IT Governance Group

The following section provides a summary of the options and recommendations for Arizona moving on to the next steps.

SECTION X: CONCLUSION AND NEXT STEPS

Social Interest Solutions would like to thank the Arizona State staff who so enthusiastically participated in and significantly contributed to this Gap Analysis. We also want to thank Arizona Leadership who have been willing to listen, ask questions and guide us throughout this project.

In this section, we identify a summary assessment of each option and provide insights from Arizona Leadership. We then highlight immediate next steps to continue to move the process forward.

SUMMARY FINDINGS

Like the definition of an ACA Exchange, the analysis of the assets in the state, the gaps to meet the ACA requirements and analyzing the options to fill the gaps is complex and has a lot of varying elements to it. The good news is there *are* options, and we are at the end of the analysis journey and can now provide a side-by-side comparison of the five options analyzed in this section so that Arizona Leadership can review and assess each option and then go back to the prior sections to read more if that is required.

	Option				
	1	2	3	4	5
			Leveraging Existing Arizona		
Analysis Category	**Use the Federal Exchange**	**Joining and Multi-State Solution ****	**. . . with New Development**	**. . . by Borrowing ****	**Build from Scratch (Rip and Replace) *****
Total State Resource Cost Estimates	$ 746,504	$ 1,007,689	$ 1,254,904	$ 1,431,052	$ 4,293,156
Total Contractual (Vendor) Cost Estimates	$ 8,871,000	$ 21,871,000	$ 19,973,000	$ 20,150,000	$ 120,000,000
Total Estimated Costs by Option	$ 9,617,504	$ 22,878,689	$ 21,227,904	$ 21,581,052	$ 124,293,156
Financing Options	**Uncertain**	**Establishment and 90/10**	**Establishment, 90/10, GUX, Subscription Model**	**Establishment, 90/10, Subscription Model**	**Establishment, 90/10, GUX, Subscription Model**
Meet ACA Timeline?	**Likely**	**Not Likely**	**Moderately Likely**	**Not Likely**	**Least Likely**
Risks (e.g., Complexity, Control, Known vs. Unknown, Time, Costs, Performance, Strategic Alignment, Consumer Acceptance, Political)	**Moderate**	**High**	**Lowest**	**Moderate**	**High**

What this analysis indicates is:

- Arizona has many assets upon which to build. These assets put the goal and timeline more in reach than it may be for other States
- Even with these positive assets, Arizona has some system upgrades and build-out to do to meet the ACA Exchange standards
- Arizona has a number of options to consider to "fill" the gaps and meet the federal standards
- Each option has trade-offs
- The challenge in meeting the federal timelines is herculean no matter which option (or options) is selected
- There is still much to be revealed in terms of guidance (likely more in the next couple of months)

In meeting with Arizona Leadership, their analysis of the possible options put Options 1 and 3 at the top of their list of considerations. The analysis completed and documented in this report confirms that these two options are the most viable. With regard to **Option 1: Adopt or Default to the Federal Exchange**, there is an open question that must be explored in detail prior to proceeding: whether and what federal financing is available? Current Federal financing options do not seem to support or provide any financing under this option. While this *may* be the least expensive option, it would not be prudent for the State to consider this option without Federal financial support.

If Arizona selects Option 3, 4 or 5, we would recommend that the AHCCCS Team initiate discussions with Hawaii, which currently uses Arizona's PMMIS system. Hawaii may want to join the Arizona Team to take advantage of the technical capacity being developed. If Hawaii should decide to proceed with Arizona, arrangements should be made to engage the Hawaii team on the appropriate ACA Exchange committees as early as practical in the ACA Exchange Project. The Arizona/Hawaii agreements should be modified to reflect the appropriate financial considerations.

The good news is that Arizona has a very capable team. The State has been pushing a vision of integrated technology that supports electronic receipt of new, modified and renewal applications that: leverages the application process to community assistors and consumers; efficiently moves data to the right parties so decisions are made timely; and automates verifications where ever possible. These same State visionaries are very capable of making ACA work for Arizona. This strong, insightful and technology savvy team is one of Arizona's strongest assets. The value of this asset should not be underestimated in helping Arizona manage this complex ACA Exchange endeavor.

IMMEDIATE NEXT STEPS

The most obvious next step is for Arizona Leadership to assess its options to determine which option will best meet the State's needs. Note that if Option 1 or 3 is selected, we have provided detailed work plans in **Appendix B**. While this decision is being made, there are a number of items that are common to all options with activities that can be started:

- Establish an IT Governance Group with the key Arizona Agencies represented:
  - Governor's Office
  - AHCCCS
  - DES
  - Insurance Department
- Hire a full-time project manager to oversee the IT projects and their compliance with and leverage for the ACA Exchange
- Determine Arizona's participation in the Graphical User Experience project sponsored by CMS and National Health Philanthropy
- Determine appropriate upgrade paths for AZTECS and ACE
- Develop financing plan and secure financing
- Identify procurement methodologies

The Arizona Leadership should identify their choice of options and then move quickly to:

- Finalize all financing plans and execute to secure financing
  - Be sure this plan also addresses the Subscription Fee approach currently in use for Health-e-Arizona
  - Consider the use of brokerage and other administrative fees being used to support the overall ACA Exchange technology and operations where and if appropriate
- Simultaneously, identify options for and execute grant requests and Advance Planning Documents for 90/10 financing
- Form the working teams as set forth in the Resource Section of the report
- Provide for continuous update for teams to stay current with ACA Exchange operational decisions being made as well as staying current with Federal Guidance
- Promote community involvement and impact assessment
- Organize subject matter expert groups to support requirements, design, testing and implementation of the ACA Exchange
- Develop a series of Use Cases by access channel (e.g., paper, on-line, in-person, call center, etc.); by application group (ranging from a single adult to applying groups that have a person who wants commercial insurance, a child eligible for CHIP and another adult eligible for insurance on the SHOP Exchange and so on); by user type (e.g., consumer, small employer, navigator, community assistor, health plan, eligibility worker, system administrator, etc.); by verification type (i.e., automated federal hub verification versus point in time verification); by communication protocol (e.g., text messaging, e-mail, letters, other) to help guide the working groups

THE FUTURE IS NOW

Standing up an ACA Exchange is fundamental to realizing the promise of health care reform. Arizona has completed a key step in the journey by completing this Gap Analysis. The Gap Analysis confirms much of what Arizona Leadership instinctively understood. The time line is short, but with the assets identified, deliberate plans to move forward and one of the most capable State teams in the nation, Arizona is poised to make important and needed change happen.